SOCIAL SERVICE

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BY

LOUIS F. POST

AUTHOR OF "ETHICS OF DEMOCRACY," "ETHICAL PRINCIPLES OF MARRIAGE AND DIVORCE," ETC.

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To

TOM LOFTIN JOHNSON

who also sat at the feet of Henry George
and learned of him.

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SOCIAL SERVICE

CHAPTER I.

Introduction.

Leaning back in our chairs at a cozy restaurant, you and I, smoking it may be while we talk across the table, our conversation possibly turns to the dinner we have just had—not sensuously as with gluttons, but reflectively as men interested in the whys and the wherefores even of the commonplace.

A question has influenced the current of our thoughts. How did we get this dinner? By what magic was that variety of appetizing food laid before us at our pleasure and upon our request? Is there in truth an Aladdin's lamp? Are there omnipotent genii to work wonders at an Aladdin's touch? Let us recall the circumstances.

When we entered the restaurant, a neatly dressed well mannered gentleman conducted us to this table. He was none of your genii of a thousand Arabian nights, but a man like ourselves. He serves his fellow men, and they call him not inaptly the "head waiter." Having seen us comfortably seated, the head waiter turned his attention elsewhere, leaving another neatly dressed and well mannered gentleman—none of your mythical genii either, but a fellow man whom they call a "waiter"—to take our orders for food. The waiter withdrew upon getting our orders, and presently returned with a supply of crockery, silverware,

napkins and other table furnishings. In due time he brought us our food, course by course, then our coffee, and finally the cigars we are smoking and the little jar of matches with which we light them.

So much we saw. But there was more that we did not notice, and vastly more that we could not have seen had we tried—all a part of the necessary process of serving our dinner. Neither the waiter nor the head waiter was a magician who could say "Let there be bread," and there is bread; or "Let there be" this or that, and it comes. Workers like themselves must have responded to their directions, whether we saw the other workers or not. Though we did not see a cook, there was a cook in the hot kitchen who served us as truly as the waiter did, and without whose aid the waiter could not have served us at all. We did not see the furniture makers, nor the silversmiths, nor the spinners and the weavers, nor the makers of the lighting appliances, nor the crockery makers, of whom the implements and furnishings for our comfort in eating must have been procured. Neither did we see the cigar makers nor the tobacco raisers whose product we are now turning into fragrant smoke, nor the makers of the matches we have burned, nor the decorators who made these walls sightly, nor the builders who erected the house in which we sit, nor the printers and paper makers who supplied the bill of fare. Yet all these craftsmen have in greater or less degree made it possible for the waiter to serve us as he has done. Each has been an operator in the process. Altogether, they have co-operated.

Even when all these co-operative craftsmen are considered, the roll of co-operators to whom we are indebted for this dinner is far from complete. Back of the cook are tradesmen who supply the

kitchen with cooking implements and food materials, and carriers who deliver them. Back of these are wholesalers who have supplied the tradesmen—all equipped with their respective clerks and bookkeepers and other helpers or co-operators. Back of these again are the builders of their stores, the makers of their delivery wagons that rattle through the streets, the builders of railroads and cars, and the railroad men who operate them. Still farther back in the order of this simple dinner service are millers, butchers, ranchers, farmers, cotton raisers and cotton pickers, sailors, shipwrights, miners, lumbermen, coffee producers, oyster dredgers, fishermen, plowmen, hunters, dairymen—an infinite variety of producers and traders, with commercial ramifications extending all over the world. Get the picture into your mind. Don't you see that we have broken into a labyrinth of social service so confusing as to defy complete description in detail?

That match, now, with which you have relighted your cigar—look at it. It is only a little sliver of wood charred at one end where a moment ago, before you took it from its fellows in the jar, there was a crust of sulphur and a hardened dab of phosphorus—the simplest item of all the objects that have contributed to our enjoyment at this table to-night. Yet he would be a learned specialist of many specialties who could write the biography of that match. Try it for yourself. The waiter fetched it for you. It had been bought in a package of the grocer up the street, and he had sent the package here by one of the boys he hires. Before that he himself had bought it in a larger package of a wholesale merchant, who in turn had bought it of the manufacturer, who had bought the wood of lumbermen and the sulphur and the phosphorus of an importer. The story thus far is not difficult in its general outlines. Neither would

it be very difficult to trace the lumber back through a saw mill to the chopper in the forest, the sulphur to some gypsum bed perhaps, and the phosphorus back through the fumes of deadly factories to collections of old bones. But when your imagination turns to the collateral co-operators, you begin to realize the meaning of infinite complexity. For you must pick up the threads of the story of the wood chopper's axe, and follow them back from the axe in his hand to the forest where the helve was cut and the mine whence the ore was taken, through all the intervening channels of manufacture and sale not only of the axe itself but of all the implements used in its making and final delivery. Then you must repeat this confusing process with the saw mill and its implements and the implements with which they were made; and after that, if your interest does not flag, with all the delicate machinery of the match factory and the delicate machinery with which that delicate machinery itself was made. By this time you will have a liberal education in the industrial arts, sufficient perhaps to give you a hint of other and even more confusing labyrinths to explore before you can definitely tell how that little match got away from its native condition and into your hands just as you needed a light for your cigar.

If now you begin to realize the bewildering complexity of the social process of merely providing the materials for the dinner we have had, turn your attention to the service of marshaling and adapting those materials so as to make a dinner of them. Think of the function, for instance, of the proprietor of this restaurant, our good friend Joseph over there. Without his service all the other service would have been useless to us. It was his forethought and skill that brought into such correlation as exactly to meet our needs for

a dinner at a particular place and hour, the services of the head waiter, of the waiter and the cook, of the artisans who made the room comfortable and sightly, and of all the army of social servitors whose co-operative usefulness to us we have been trying to realize and appreciate. But if we really could comprehend, as neither you nor I nor any one else can possibly do, the details of the labyrinth of social service involved in supplying a restaurant dinner, as simple even as ours has been, we should still be only on the edge of understanding the details of social service.

Let us then, as we leave the restaurant, pursue our thought, but with reference to other needs and comforts than those of the table.

We are now on a street car. Here is a motorman who takes us to your home. Here are cars that other men have built to enable him to do it. These cars, like the match at the restaurant, have their complex history, beginning in mine and forest—alike for materials for the cars and for the tools, the machinery and the buildings necessary for their construction, and the mechanism necessary for propulsion—and ending as we find them now, in carriages rolling along upon railed pavements. Then there are the rails, the trolley wire, the power houses, with a regiment of men to maintain and operate the system so that a car may be ready for us when we are ready to go home. Again you are in a labyrinth of social service.

Behold the same bewildering complexity as we stop to leave an order at the corner grocery near your house. A clerk takes your order, a deliverer will bring the goods to your door. But back of the clerk is the grocer himself, who has stocked the store, who thoughtfully keeps it stocked, and who in other ways superintends its affairs, so that you and your neighbors may have groceries of

your choice and at your convenience. But back of grocer and grocer's assistants are wholesalers, manufacturers, importers, transporters by land and sea, exporters at scores of foreign seaports, original producers in a thousand distant places—all told, an army and a navy of workmen, clerks, sailors, and helpers of every kind.

So it is with your clothing. Those shoes came from a department store, as did your hat, your underwear, your furnishings, and, since you are not fastidious about wearing tailor-made clothing, as did also your coat, your trousers and your waistcoat. Several clerks have helped you in your purchases, and department store deliverers have brought the goods to your house. Again you are in a whirl of social service. For back of the clerks and deliverers are managers and sub-managers; and back of them are transporters and manufacturers and mechanical workmen, while back of these are farmers and planters and herders and butchers and tanners, and so on and on in an infinite complexity of wholesale stores and their owners, of managers and clerks, of factories, mines, forests, farms, ranches and railroads in our own country, of factories, mines, forests, sheep-folds, and railroads in other countries, of ships, drays, warehouses and machines, with their millions upon millions of men, and even of women and children, all co-operatively toiling to render service, such service as you receive from the clothing you wear.

Are we now at your house? Did you ever ask yourself where this house came from? Nature provided the materials, it is true, but not in their present convenient place and comfortable form. Architects and builders with their various assistants, reinforced by an army of lumbermen, brickmakers, miners, transporters and traders in confusing variety, made you this house. Not your

own house, do you say? You are only a tenant? Very well; then an additional co-operator, the house owner, has served you by marshaling the services of the builders to have the house ready for your use at a time and in a place to suit your wants.

As with this house that you are about to enter and which you call your home, so with all the houses of your neighbors. So with everything any of us may use. Workers, workers, workers; here, there, everywhere! Growing, constructing, carrying—doing. It is quite impossible to describe, almost impossible to imagine in any detail, the incessant work, the continuous service, the intricate co-operation that make it possible for you and me to get as we want them a house to live in, a ride on a street car, a choice of groceries, a dinner at a restaurant, a cigar to smoke, even a match to light it with. And minute as we have tried to be, we have nevertheless overlooked the bankers, who play an important part in all this work, and we have made no account of lawyers, doctors, teachers, actors, authors, clergymen, journalists and hosts of other social servitors, who in some way or other, directly or indirectly, minister to our desires.

How is it possible to fix your attention at all, even superficially, upon these facts of common observation, without realizing, and in a startling way if you have never thought of the matter before, that some people are incessantly serving other people, and that everybody is somehow and somewhere being all the time served by somebody else? To the extent of our demands, at restaurants and hotels, upon street cars, at grocery stores, at department stores, in housebuilding and housekeeping, in clothes-making and clothes-selling, in sickness at the hospital or at home, and by all manner of persons through all manner of

trades and professions, from the first gasp of breath at birth to the placing of a tombstone at the last, we are in the midst of a whirl of social service; and, to that extent, every person the wide world over who helps immediately or remotely, in great degree or in little degree, to satisfy our demands at the time when and at the place where we make them, is serving us. Though the details of this service be so numerous and so bewildering in their complexity as to defy statistical notation, yet the great general fact is clear enough. The coffee picker in Porto Rico, the tobacco stripper in Cuba, the rancher in Texas, the butcher in Packingtown, the farmer on Western prairie or in Eastern valley, the baker around the corner, the sailormen, the railroad crews, the store clerks whom we face across counters, the bankers and their clerks who transfer credits, the builders of houses, factories and machines, the army of workmen of every grade from drudge to manager, serve us as effectively as the genii of his lamp served Aladdin, but in very truth instead of Oriental fable.

Now what do we do for our fellows in return for their service to us?

If we turn our thoughts from their serviceable activities, inward upon our own activities, we shall find that in some way we too (unless we are idle pensioners upon our brethren, or industrious only as parasites) are contributing our share to the ceaseless interflow of social service.

As lawyer, doctor, actor, author, teacher, mechanic, farmer, or what you will, everybody who pays his way is serving others even as they serve him; and the reason that they serve him, unless they act from coercion, personal affection, or pity, is because he serves them. Social service is in its last analysis an intricate interchange of individual services.

If all those who serve were to stop serving, all who are served, even the richest, would be almost instantly impoverished. Concrete accumulations of past exchanges of service, such as houses, clothing, food supplies, and so on, would be of little use were social service to cease. Though houses would still exist they would answer for little more than shelter and not long for that, and meanwhile each of us would have to be his own housekeeper; though food were in the larder the supply would be exhausted soon, and meanwhile each of us would have to be his own cook. Interchanges of service, when normal—that is, when free to flow in accordance with the need for service and the will to serve,—maintain an equilibrium at which the service that each renders to others is balanced by the service that others render to him.

This balance is obvious enough when, for instance, Farmer Doe does a day's work for Farmer Roe at haying, in exchange for a day's work in harvest. There is no complexity in such a case. The two farmers could easily keep the accounts. A debit in Doe's books and a credit in Roe's of one day's work to Farmer Roe at haying, is balanced in both books by a cross credit and a cross debit at harvest time. But if Doe's little boy should swap an egg for a stick of candy at the store, or Mrs. Doe trade butter for groceries, a great complexity would be introduced. The army of candy makers, beginning with sugar planters and running through the long list of workmen in refinery and factory and railroading and ocean navigation, and the armies of machinists and builders behind them all—these have no debit and credit account with Mr. Doe or any member of his family. Neither have the army of grocery producers. Perhaps none of them but the grocer ever heard of him; nor did any of them work especially for him or his wife or his little boy. They worked

for whomsoever there might be to want the final consumable product of their work, though at the end of a thousand manufacturing transmutations and commercial exchanges. In our illustration it would have been the Doe boy that happened to want that particular stick of candy, and the Doe family that happened to want those particular groceries. But this would only have happened so. The boy might have wanted other candy or the family other groceries, made and transported in part at least by other workmen. Yet the social service of Farmer Doe is as truly balanced off when the exchange is for candies or groceries at the store as when it is for a day's work with a neighbor. The difference is only a difference in the extent and intricacy of interchange. In essentials there is no difference.

It may have been tedious to you, my friend, to thread your way through all this detail, and you may have been a little bored with the "damnable iteration." But it will help you to generalize the industrial phenomena that come under your observation; and this is necessary if you care to understand the natural laws of social service. While we all know that social service consists of an infinite complexity of individual exchanges, we are so accustomed to thinking of the subject loosely or not at all, that we are apt to find ourselves at sea when we come to test unfamiliar generalizations. Especially do we fail to associate what is commonly called trade, with social service as an indispensable characteristic. Haven't you yourself been derelict in this respect? But now, as you recall the thread of our thought, don't you see that civilized life is in some sort a social organism of infinite complexity, which derives its vitality from the interflow of trade—from intricate interchanges of innumerable individual services?

This social organism, like any other organism,

must be explainable. There must pertain to it a science or know-why, which, when the true lines of inquiry are perceived, will enable us to understand its normal conditions and to detect and account for abnormal or diseased manifestations. By whatever name this science may be called—as economics, political economy, catallactics, or what you please—it must be evident, if you reflect upon the industrial phenomena we have run lightly over, that in so far as it may be a science at all it must be the science which accounts for the phenomena of social service.

Nor is it necessary to an understanding of this science that you should be familiar with those bewildering details and elusive complexities of exchange about which we have talked. It would be as possible for you to direct every line of service as to apprehend the complex relations of each individual act of service to every other. You could do neither. In running lightly over those details together we had no purpose of comprehensively pursuing their ramifications; it was only to indicate and emphasize the interrelation of all such details. What one needs to grasp, for an understanding of the science of social service, is not the details themselves, but the fact of the intricate interrelation of all such details in one great phenomenon—the co-operative life of man. To realize how mankind considered as a social whole makes a living, is the needful thing. We shall be helped in doing this if we recur to our dinner at the restaurant.

Why was that dinner served upon our order?

It was not a chummy affair, except between you and me. The waiters and the cook and the proprietor acted from another impulse than that of personal comradeship. Theirs was the impulse of business, not of sociability. Perhaps they enjoyed serving us; perhaps their sentiments were

profoundly fraternal. Let us hope so. All social service should be vitalized with the spirit of fraternalism. But would we have thanked them for giving us the dinner for nothing? I think not. We should have considered the offer an impertinence. For fraternalism means equilibrium, balance, service for service. What service, then, did we render for that dinner?

So far as we can follow out the details through their intricate windings we are unable to show that we gave for it any service at all. You work as a doctor and I work as a lawyer; but you have done no "doctoring" nor I any "lawing" for a single person, as far as we know, who helped furnish that dinner. Nor does either of us ever expect to, or any of them expect it of us. Why, then, did they furnish the dinner? If none of them had been served in any way by us, if none of them expected to be served by us, yet if they were serving us on the basis of service for service, why did they serve us who probably have not served them and probably shall not? Ask our friend Joseph, he who marshaled in due season and due proportion all the cooperative service of the world, including his own, that was necessary to minister to our gustatory wants of that hour. He will tell you. And in whatever phrase he may reply, his answer will be that he expected us to give him money according to an agreed price.

Isn't that what we did in fact? And wasn't he satisfied with it? What then is money, that Joseph should have taken it for service from him and his co-operators to us, in lieu of service from us to him and them?

Money—well, for the present let us say that money is a certificate of title to social service. That was the function it performed for us. We gave it as a means whereby Joseph should pay in the social service market for the particular charac-

ter of service he might be already indebted for, or obtain the particular character of service he might thereafter desire. We transferred to him our title to that service.

How did we get the money? You must answer that question yourself, for you paid our dinner check. If you picked somebody's pocket for it, you haven't paid for our dinner—not in the great "round up" or equilibrium of social service—even though Joseph is satisfied. The man you robbed, and not you, has in that case involuntarily paid for two dinners he hasn't had. And it is much the same—don't be startled—if the money was part of your income from royalties for that Pennsylvania coal deposit in which you have an interest. For don't you see that you can no more pay for dinners with coal royalties than with money picked from somebody's pocket? You render no service to anybody by giving miners permission to work natural coal deposits. Why not? Because neither you nor any one from whom you get title made those coal deposits. You might as well think you were rendering human service by permitting your fellow men to breathe God's air as by permitting them to dig God's coal. So far as the equilibrium of social service is concerned, it doesn't make a particle of difference whether you paid for our dinner with money picked from a pocket against the law, or extorted from coal miners according to law. In neither case do you render a service for the service you get. Who does render it? We haven't the time to inquire into that just now. It is enough for present purposes that in either of these instances no service is rendered by you. But of course you didn't pick a pocket; and of course, if you paid for our dinner with coal royalties the fault is no more yours than mine and Joseph's and the miners' and all the rest, for allowing our laws to give an institutional advantage

to you. In fact you got the money from a patient for hard work? Very good, then it is you that have paid for our dinner. Nor does it make any difference, so far as you and I and Joseph are concerned, whether your patient rendered service for the money he gave you or not. If he did not, then he has failed to that extent to maintain the equilibrium of social servicé. But you have not failed. You have maintained the equilibrium of social service for yourself by earning your own dinner, and for me in the hospitality of friendship by earning mine.

The certificate of your service in the form of money you have passed over to Joseph, and upon him rests the responsibility of putting that certificate into the proper channels for transferring your right to social service, to the extent of that amount of money, to all the co-operators who have contributed their service to the making of our dinner.

As with our dinner, so with all the other forms of service to which we have referred. Two nickels gave us our street car ride. A greenback "squared" you with the grocer. Your clothing bill was balanced and your landlord was appeased with checks or orders upon your bank to pay money to the amount of the agreed value of their service to you. That handsome gold watch which you have just put back into your pocket,—didn't you buy it with money? And didn't Hyman-Berg take the money in exchange for their service to you in letting you have the watch? Wasn't it their pay, to their complete satisfaction, for having marshaled the multifarious services of an army of workers in order to bring into their stock, in perfect condition, through all the transmutations and transportations of watchmaking, from the natural state of its raw materials in the mines, and to hold in store for your purchase at your pleasure, that

delicately contrived mechanism of magic serviceableness? As you had given your service for the money with which you bought the watch, you gave your service for the watch you bought with the money. Although money is not service, it is a means whereby interchanges of service are effected. It is in the nature of a certificate of service rendered *by* its possessor, which is redeemable in service to be rendered *for* its possessor.

CHAPTER II.

The Use of Money in Social Service.

Is it true that "the love of money is the root of all evil"? True! Isn't it tremendously true? Whenever we question its truth we are influenced, I suspect, by a false emphasis. We think of money—not "love of money," mind you, but "money"—as being the root of all evil, and at this our common sense revolts. But instead of questioning our loose interpretation of the epigram and correcting the careless emphasis that causes it, we rashly question the epigram itself.

Love of money is indeed the root of all evil. It is essentially the same thing as love of dominion. Either includes love of theft, love of power to take something for nothing, love of getting service without giving service. But this phase of the subject of money belongs with its abuse rather than its use, and we ought to consider the latter first. That is what you would advise, Doctor, wouldn't you, if the subject were physiological? Wouldn't it be putting the cart before the horse, to consider the pathology of a subject without a fairly definite apprehension of its—may I say its "healthology"?

We did reflect somewhat upon the social use of money, you and I, in rounding out our after-dinner talk at Joseph's restaurant, though only in a general way. Some consideration of it was necessary, however, for we were talking of social service. Indeed, it was unavoidable. Money is to intimately associated with the phenomena of

social service that neither can be considered without the other.

The circumstances of that occasion brought out very concretely the subject of the social use of money. Had you not just given money to our friend Joseph, the proprietor of the restaurant, for our dinner? And had he not taken it with satisfaction—even with a "thank you," as if the service had been from us to him and not from him to us? Had we not seen, also, that whenever and wherever we got social service of any other kind, whether in the form of street car rides, or groceries, or clothing, or house accommodations, or what not, we discharged our obligation by paying money, or by ordering a bank to pay money out of our account and on our behalf?

Your greenback was the acceptable quid pro quo for our dinner at Joseph's, although it was only a little oblong strip of greenish paper with printing on it, and although Joseph gave you back in the change a prettier greenback quite as large and at least twice as new. So my two nickels were taken for our street car ride, although they were only two little pieces of stamped metal. The strip of paper was of no use to you nor the metal to me, except as we might pass them on to other persons for social service. But we found them so useful for that purpose that we asked ourselves the reason.

You remember our conclusion. We satisfied ourselves that Joseph's reason for taking the greenback for our dinner, and the conductor's for taking the nickels for our street car ride, was that the greenback and the nickels were certificates or tokens of title to social service. Each took them from us in exchange for social service, because he knew that others would take them from him, likewise in exchange for social service. He took them, that is, because he knew that they

were currency; because he knew that they would pass current as tokens of service in the intricate exchanges of the social service market; because he knew that they would be redeemed at sight in social service by anybody who wished to swap one kind of social service for another kind. They were in effect, then, what we have already called them—certificates of title to social service.

And that is the character of all money. It is a certificate or token, passing current from hand to hand, in common testimony or proof to all whom it may concern, that the possessor has good right and perfect title to a certain measure of any kind of service in any kind of form which he demands and which the social service market affords. If he had a bill of sale of a particular bicycle, the bill of sale would entitle him to a particular set of social services exerted and assembled in the form of a certain bicycle. It would entitle him to nothing else. But since he has money, his title runs to any bicycle, in fact to any set of social services whatever, exerted and assembled in any form he pleases. It is limited only in extent; and the extent is limited only by the value which the money denominates. It may, therefore, be rightly said that money is, within the limits of its value-denomination, a bill of sale to any social service which the possessor asks for.

If by this time we do not realize that the social use of money must be investigated at the outset of any inquiry into the intricacies of social service, our reflections are to little purpose. At the very threshold of the inquiry, look we in whatever direction or at whatever concrete manifestation we may, the money function confronts us. Doubtless we shall find it obtrusive throughout, if we pursue our general inquiry, but at the threshold it confronts us in a peculiarly impressive way—in

a way so impressive as to send our thoughts awry if we do not have a care. A little intellectual indifference, only a little careless or crooked thinking, and we might find ourselves making a fetish of money in more senses than one. We might forget that money is only a social token or representative, and think of it as a social reality or substance. We might forget that the terms of money, such as "dollars" or "pounds" or "francs" or "marks", are only nouns in the vocabulary of the social service mart—mere expressions for denoting and registering units of social service in exchange. Verbalists put the word above the spirit, the phrase above the thought, the token above the substance; and you and I, unless we are cautious in our thinking about social service, may fall into the pit of verbalism by putting mere money tokens, or mere money terms, above the substance of social services whose transmutations and transfers and relative utilities the money tokens merely measure and the money terms merely register.

Shall we avoid that danger? We may find it worth our while, even at the expense of a little laborious thought. Thinking is indeed laborious—exact thinking—but it pays. And though it were only for amusement, what could compare with the unraveling of such a tangle as that into which the use and abuse of money and the terms of money involve the processes of social service? Wouldn't you rather have the fun of unravelling this tangle than the fun of winning with your "partner's best" at euchre, or keeping your chum out of the "king row" at checkers? And really no great learning is needed. There isn't an illiterate dishwasher in Joseph's kitchen who cannot do it if he tries, just as he can untangle a perverse fish line if he tries. Although intellectual training is necessary, the peculiar training of scholarship is not. The necessary training is only what is requi-

site for all good work, from the humblest up—the training, that is, that quickens clear thinking. Some of the greatest scholars, men distinguished as economists and sociologists, men of wide reading and phenomenal verbal memories, get confused in social service tangles. It is because they do not think clearly. Other men, without scholarship, without pretension or distinction, with little reading and abominable verbal memories, readily resolve the confusions of social service into their simple elements and unravel the tangle. This is because they do think clearly.

What do I regard as the most baffling confusions in which the use of money involves us? To answer that question I shall have to recur, even at the risk of repetition, to the common tendency to ignore the importance of the simplest and most obvious characteristic of money—its quality of being in the exchanges of social services only an intermediary. We agree to this readily enough, but even while the statement echoes in our ears, and though our tongues may glibly repeat it, we seem oblivious to its importance as soon as we set about unravelling the social service tangle. Haven't you forgotten it already? Don't apologize. This is one of the points at which most of us neglect to think clearly. It is a point therefore at which our faculties for clear thinking need quickening.

But that is not an easy matter, let me tell you. The fallacy that money instead of service is the one thing needful in social life, is bred in the bone. One of our earliest cognitions as children is the potency of money to secure the gratification of our wants. A penny will buy candy. Our inclination, therefore, if we want candy, is to consider not how to render a service in exchange for it, but how to get a penny to buy it with. The problem may be solved by a generous grandfather, or, if you are

a country boy, by the lucky find of a horseshoe in the road which will sell for a penny at the blacksmith's or the foundry, or by an opportunity to help drive marauding cattle out of the cornfield for a neighbor, or to turn a flock of sheep from a byway back into the highway, or, if you are a city boy, to run out and get your father a Sunday paper. But the thought of the boy is always centered upon the penny. He is indifferent as to whether it is earned or unearned. His thought is centered upon it as upon something magical for getting candy with, and never upon the human reality of a swap of social service in candy form for social service in some other form. And in this respect the boy is father to the man. As he grows up, one experience after another confirms the boyish habit of thought. He may try to force himself into straight thinking about it, but the habit pesters his thinking processes in spite of himself. Like the man who could never tell which way to turn for east without stopping to "figure it out," we are seldom able to realize instinctively, but must always "figure it out," that money is a mere trading certificate or token.

Some men never reach the point even of "figuring it out." Very well do I remember the earnest way in which a good Greenbacker friend of mine once assured me that money is the one thing needful for human comfort. "It is the last thing you want," he urged with waxing eloquence, "before you go to bed at night, and the first thing you want when you get up in the morning!" "Oh, no," I interrupted, "money is not the first thing I want in the morning. What I want then is my breakfast." In a tone of gentle impatience he replied: "But if you have money you can get your breakfast." Isn't that like the child? Just as the child thinks of money as the open sesame to any of the candy jars in the store, grown-ups

think of it as the open sesame to any of the good things of the world. "If I only had the money!" It is the universal cry. "If I only had the money, I would buy"—this or that. And don't we reckon the social power and usefulness of men by their money's worth?

In a sense, then, my friend was right. Truly, I could get my breakfast if I had the money. Didn't we get our dinners the other day because you had the money to buy them with? With money we can get any commodity in the market, we can command any service that men are accustomed to rendering their fellow men. In fact, we may in some circumstances command services they are not accustomed to rendering, and which they recoil from rendering—if we have the money. But though we beg our brethren to serve us, yet if we have no money they will either turn away or serve us superciliously, meagerly and grudgingly. However great our need, we cannot satisfy it if we are without money. Should we go into a restaurant hungry, but having no money, we shall find neither food nor service at our command, unless we are trusted, which will be only if we are known to be able to get money presently and to be willing to pay our debt? Instead of being served at this faucet of the world's great reservoir of social service, we shall be turned out upon the street—if we have no money. Though we offer commodities in exchange for a dinner, the Josephs who know us not will either decline them or accept them with reluctance and as a great favor. If we offer to work for our meal, the kind of work that we can do will be rejected. It is not needed at the moment, and with money it can be got of others when it is needed. Or if it so happen that we can do work that may be needed at the moment, such as shoveling snow from the sidewalk after a blizzard, the restaurant

may give us a meal for it; but this will be somewhat as a favor, and we shall probably be obliged to eat on the back steps like a beggar, or in the kitchen, instead of in the dining room. We shall not be treated in those circumstances like an independent social servitor with ready money in testimony of his social usefulness. But if we have money everybody will serve us with alacrity, be we hungry or thirsty or unfitly clothed, or whatever our need. They will do it for the asking, if we have money; and when we pay them they will thank us. And as with them toward us, so with us toward others. Money is the one thing that they think they want; it is the one thing that we think we want.

Wasn't my friend right in his estimate of the supreme importance of money? Yes, in a sense; I have already said he was right in a sense. He was right in the same sense in which all of us are right when we speak of sunrise and sunset. There is, in fact, neither sunrise nor sunset, and we all know it; but there is an appearance of both, and we have a habit of mind which makes us think and speak of these false appearances as if they were actualities. For all colloquial purposes it is as well, it may be better, to think and speak simply of sunrise and sunset in preference to using some paraphrase indicating the sun's stability and the earth's rotation. But the science of astronomy will tolerate no such looseness. When we reason about the phenomena of suns and planets, we must banish mere appearances from our minds and think of the relations of the sun and the earth as they are. So it is with the use of money. In indefinite conversations or musings, in business intercourse where all speech is in terms of money, in any of the superficial social relations in which money cuts a figure, we may speak and even think of money as the one thing needful for human

comfort. We may in those circumstances regard it as the object of the services we render and the magical charm that commands for us the services of others. We may think of money as "making the mare go," or the world for that matter, much as we think of the sun as rising in the morning and setting at night. But just as in astronomical inquiries we recognize terms like "sun rise" and "sun set" as figures of speech, so when we try to reason definitely about the relation of money to the intricate and often confusing processes of social service, we must strike through the crust of superficial appearances and get down to the final facts.

What is required of us in doing this is not difficult in itself, though we encounter all the difficulties of overcoming loose habits of thought. We have only to subject familiar things, things of common observation, to the simplest operations of clear thinking. When we do this we realize that there is no inherent social power in money. No one takes money for its own sake. In itself it satisfies no human want. The material might, if deprived of the money stamp; but the money itself, in its current form as money, is useless for any other purpose than that of a token for effecting exchanges of things that do satisfy human wants.

When money performs this function it is because it is current in the community in which it performs it. Outside of that community it may have no currency, and when this is the case it does not facilitate exchanges of social service. It is no longer money. Did you never "get stuck" with a Canadian quarter? It was as good a piece of silver as any one of our own quarters, and in the melting pot would have been as useful and worth as much. But not so for fare on an American street car at a considerable distance from the

Canadian border. Though current money in Canada, it is not current money with us. Money that passes current does so because everyone who takes it knows it will be taken on equal terms by anybody else to whom he may have occasion to pass it. It is useful, therefore, because and only because, and to the extent that and only to the extent that, it is current in the social service market.

So long as money has the quality of currency, it makes no difference of what material it is made. Though the material be nothing but a strip of paper, yet if it passes current, that paper is money. One strip of paper may buy us a dollar dinner, while another of the same size and the same general appearance may buy us a fifty dollar suit of clothes. But why only a dollar's worth in the one case, and fifty in the other? And why even a dollar's worth for a strip of paper? Because people engaged in social service all about us are known to be ready and willing to render service in exchange for those strips of paper—a dollar's worth of service for a strip with the figure 1 upon it, and fifty dollars' worth for a strip just like the other but with the figure 50 upon it. These strips of paper are commonly recognizable as certificates of title for social service, and as such they pass from hand to hand. They are therefore current money. For all the purposes of exchange in the social service market they are just as effective as if the material itself, simply as a commodity, were worth as much as the social service the money exchanges for. It is not its material that makes a piece of money current; it is its stamp or imprint.

Put a thousand new one-dollar gold pieces into your trunk, and you are equipped for a journey anywhere in the United States. The stamp will be recognized and the dollar piece be received in

exchange for any kind of social service you want, and by any one. Instead of new gold pieces, take old ones, considerably abraded. The gold will be worth less, but the stamp being legible these pieces will serve you just as well as the others. Hammer out the stamp, and neither the old ones nor the new ones will serve you as current money at all. You will have to go to a gold dealer whenever you need money, and ask him to weigh and test and buy your gold, and in the end you will get less for the old pieces than for the new ones. Go out of the United States into some community where the American dollar stamp is unfamiliar, and you will have the same experience with your gold pieces, whether the new ones or the old ones, as you would have in the United States if you obliterated the stamp. Now put a thousand new one-dollar greenbacks into your trunk, and you will be as well equipped as if they were gold pieces, for a journey anywhere in the United States, and for the same reason. The familiar denominational stamps will give to the greenbacks as to the gold pieces the quality of currency. Take old greenbacks instead of new ones, and your experience will be the same. Tear off a corner from one of the greenbacks, and nevertheless it will pass without question; the rest of the greenback will still be identified as current money. Tear off a considerable piece, and the remainder will lose its currency. Destroy the currency stamp on your greenbacks by putting them into a crucible, and you will have neither currency nor material left; the residuum will be charred paper. Destroy the currency stamp on your gold pieces by putting them into the crucible, and you will still have the material though not the currency; the residuum will be merchantable gold—something that you can sell like wheat, but nothing that you can pass like money. Here, then, is the only difference

between gold and paper as currency. Destroy the currency quality of the gold, and you still have a valuable commodity left; destroy the currency quality of the greenback, and you have only worthless paper left. But so long as it possesses the currency quality, one is current money as well as the other.

Nor does it make any difference, so far as the matter of distinguishing differences goes, what the form of the currency stamp may be nor who affixes it. While usually it is a government stamp, it need not be so. The essential thing is that the material, whether of gold, silver, copper, nickel or paper, shall present an appearance of length, breadth, thickness, squareness, roundness, yellowness, greenness, or what not, which the people among whom it circulates as money readily recognize as characteristic of their currency. If an old shoe came within that description, it would be as good money as coin fresh from the mint. Money is simply a commonly recognized representative of, or certificate of title to, the value of the social service which it indicates. So long as, passing readily from hand to hand, it performs that function, it is money, be the material what it may be; when for any reason or no reason it ceases to perform that function, then, however valuable the material as such, it is no longer money.

Even the genuineness of the money stamp, like the value of its material, is of no importance provided the money be current. Of course, its genuineness is likely to be, and it usually is, an exceedingly important factor, just as the value of the material may be, in causing and maintaining its use as currency. But it is the currency quality, however caused and maintained, and not the cause of this quality, that distinguishes current money from other things.

You seem especially skeptical about the unim-

portance of genuineness. But doesn't your memory go back to the Civil War, when counterfeit shinplasters known to be counterfeit passed current? The fact that they were counterfeit made no difference so long as nobody cared and everybody took them. And surely you have heard the old Greenback story of how ten purchases were made with one counterfeit treasury note. The first purchaser had found the note. Supposing it to be genuine, but unable to discover the owner, he passed it to a grocer for groceries; the grocer passed it to a dry goods merchant for dry goods, and he to another kind of merchant for something else, and so on, all supposing the note to be genuine, until the ninth merchant had got it and paid it to the first buyer for goods in which the latter dealt. Discovered then to be counterfeit, the note was destroyed. But it had paid for all those goods—for all those social services. That is to say, it had paid for them in appearance. In fact, however, none of those goods, none of those social services, were paid for by the counterfeit treasury note. They were paid for by one another, through the commercial exchanges which the note as a token facilitated. But the counterfeit note thereby served the purpose of current money, and it served it just as well as if it had not been counterfeit. In this story, nobody suffered loss. But if the note had not got back through the circle of exchanges to the first purchaser, somebody would have given social service without receiving social service in return, just as if the note had been good and been stolen. As it was, however, a complete series of exchanges was effected by that counterfeit, and genuine money could have done no more.

Yes, it is quite true that the genuine shinplasters and greenbacks of the Civil War period passed at a discount relatively to gold money; or, rather, that gold sold at a premium. But this

does not alter the fact that it is the currency quality that makes money serve its use. The difference in value between gold money and paper money was not due, in individual transactions, to fear that the paper money would not be fully redeemed in gold by the government. Whether or not that may have been the remote cause, the immediate and all-sufficient motive was fear that it would not be fully redeemed in social service by the next individual to whom it might be offered. Had confidence in this respect prevailed, it would have passed current at par with gold. What influenced those who took it in exchange for commodities or services, is what always determines the currency of money—the question of what the next man will do. And that is what regulated its value. It is what regulates the value of all currency.

A simple word, isn't it?—that word "value." It is in such common use that we ought to have no difficulty about it. But here again confusion creeps in. We fall into the habit of mixing the idea of value with the idea of desirability, as if the former were wholly due to the latter, or even identical with it. From this habit our thinking often gets all snarled up. Don't you remember the knife you described as one of the most "valuable" things you possessed? You used "valuable" in the sense of desirable, which is truly enough one of its meanings. You didn't happen to mislead me, for in explaining what you called the "valuable" qualities of the knife, you described its various convenient contrivances, from a nail blade to a cork screw, and said nothing about its salability, which would have suggested the other meaning of value. You really meant desirable, not valuable, didn't you?

In such conversations careless speech is seldom ambiguous. We may refer to things as "valuable," with the meaning sometimes that they have a high

degree of desirability, and sometimes that they have a high degree of exchangeability for money; for it is not very important, even if we are not exactly understood. But when we try to think analytically of the phenomena of social service, we must not indulge in verbal looseness. The same word must always be used for the same thought, and not only with our tongues but in our minds. Value must be habitually distinguished from desirability.

This is no mere verbal distinction without a substantial difference. An object may have great desirability, and yet have no value. The ocean, the air, the sun, are familiar examples. Nothing is valuable in the exclusive sense of the word "value," unless it is both desirable and scarce. If it is not desirable, no one wants it; if it is not scarce, no one will pay anything for it. The principle also holds good, of course, as to degrees of desirability and scarcity, and therefore as to degrees of value. You recognized it when I asked you what you would sell your "valuable" knife for. Your reply was: "If I couldn't get another I wouldn't sell this one for a hundred dollars." But as you could have bought another for about five dollars, you would have sold yours for much less than a hundred. No matter how high the degree of desirability of such knives might have been, the degree of their scarcity was low, and consequently the value of your particular knife was low. While its degree of desirability was estimated by you at a hundred dollars, its degree of scarcity was demonstrated by the social service market to be only five dollars. Don't you see, then, that your use of the word "value" in that instance would be too ambiguous for exact thinking? It carries an element of meaning which does not necessarily belong to the idea of desirability—the element, namely, of scarcity. For pur-

poses, then, of clear thinking about the phenomena of social service, we must not use the word "value" as a synonym for "desirability." We must use it only for denoting the relation of desirability to scarcity. "Desirability" means one thing; "scarcity" means another; and a third results from the conjunction of those two. The third thing needs a distinctive name, and "value" seems appropriate enough for the purpose.

There is another confusion over which we are apt to get our thinking about value into a snarl, a confusion which is not unlike the one with reference to money. We fall into the habit of looking upon value as something by itself, quite apart from the commodities or services which we consider valuable. But value is not an actual entity. It is merely a verbal generalization of values, and values are only terms of comparison in trade—terms of exchangeable comparison. As we compare the length of objects by linear measure, and their mass by weight, so, after a manner—though not literally, for we cannot have definite standards of value as we have of length and weight—but after a manner, analogically as you might say, so do we compare degrees of exchangeability in terms of value. The fundamental consideration in all these matters is not the terms or language of comparison, such as length, weight, or exchangeability, —feet and inches, or pounds and ounces, or dollars and cents. Neither is it the volume of any of those measurements. It is the objects themselves. If you and I were to swap knives even, the value of the two knives would be equal in our joint estimation. That is to say, the difficulty of replacing either would in our judgment be the same. Were you to give me your matchbox to "boot," that would imply that in our judgment the difficulty of replacing my knife would be the same as the difficulty of re-

placing your knife and your matchbox. Translate these negotiations into the language of the social service market—where, however, the stricter measurements of business intercourse would prevail—and my knife is in the one case of the same value as yours, while in the other it is of the aggregate value of your knife and your matchbox.

That indicates all that value is. It has no substance. It satisfies no desire. It is not a thing by itself. It is merely an expression of judgment. Its terms are terms of comparison, enabling us to compare the desirability, as modified by the scarcity, of commodities in the social service market. Valuation is useful as a process of measurement. So is the multiplication table. But both exist only in the mind as abstractions. The political economists who reason about value as if it were a commodity, a desirable object, a thing in itself, must be first cousins to the placard writers of those department stores that offer "good values for sale cheap."

One of the vagaries of the treatment of valuation as a commodity, a substance, a property or a possession, is almost comical. But it runs into very solemn results, as I shall explain some of these days if you don't get tired of listening. By treating valuation in this way, instead of treating it as one of the methods of comparing and measuring property for purposes of exchange, all valuations are added together in censuses, for the purpose of ascertaining the sum of the world's wealth.

Ye gods! Just think of it, Doctor. Here is your horse, worth $150. We all agree, of course, that this amount ought to be computed in a census of the sum of the world's wealth; for a horse reared and trained by social servitors for human use is a concreted social service, an object which

belongs in the category of things fitted for human use by human art—one of the artificial objects, that is, which the books call "wealth." But I have a chattel mortgage of $100 on that horse. To be sure, this isn't true as matter of fact, but it might be, and so let us suppose it. Very well, isn't that chattel mortgage worth $100? Isn't it an item of value? Our census man says yes, and adds it to the value of your horse in summing up the aggregate of the world's wealth—$150 for you and $100 for me, making $250 in all, as far as he has got in his censusing. To-morrow maybe he will go farther and find that I have hypothecated that mortgage with old Simon D. Sampson to secure my promissory note for $50. If the census man does find this out he will add $50 more to the sum of the world's wealth. And so he will go on. But, after all, what is the true sum of the world's wealth so far as those items are concerned? Just $150—the value of the horse—and not a penny more.

Yes, yes; that mortgage on the horse is worth $100 to me. But doesn't it make the horse worth $100 less to you? And don't those two values cancel each other? The net result at this point is that I own two-thirds of your horse. The chattel mortgage has value to me because it is a certificate of title to an interest in a particular species of social service—namely, an animal reared and trained by human energy to serve human uses. The making of that mortgage didn't increase the aggregate of the world's wealth, and its destruction wouldn't diminish it. Your business relations to me and mine to you are affected, but that is all. And isn't this true, also, of that note of mine which old Sampson holds and which I have secured by hypothecating my chattel mortgage on your horse? My Sampson transaction has added nothing to the sum of the world's wealth. The

hypothecation is indeed valuable to Sampson to the extent of $50; but by just so much it is the reverse to me. He owns half of my two-thirds of your $150 horse.

Isn't that all there is to the volume of $300 of value which the statistician loads upon the back of that $150 animal of yours? He mistakes certificates of interests in commodities for additional commodities, certificates of title to wealth for wealth itself. So it is with all census figures of this kind. The valuable evidences of title with the names of which we are more or less familiar, valuable to those of us who own them, and correspondingly anti-valuable to those of us whom they obligate, must be balanced off in order to let us see even approximately the sum total of wealth in the world.

Our value statisticians don't seem to know the first principles of bookkeeping. To arrive at the balance of values representing the world's wealth, they should either ignore certificates of title and obligations altogether, or else put their amounts in both columns of the census ledger. In that way they might approximate the true value of the world's wealth. And don't forget that money, too, is a certificate of title. Its indefiniteness as to the particular property to which it certifies title doesn't take it out of the general class. So money should be treated in the same way in the census as chattel mortgages. While we may count the net value of money-material as part of the aggregate wealth, we must not count denominational values in that category; or if we do, we must charge off the difference between the value of the money-material and the denominational value of the money. Money-material is like your horse—a concreted social service, or wealth. But the difference between the value of money-material and the denominational

value of money is like the value of my chattel mortgage on your horse—the value of a mere certificate of title or proprietary interest. The value to the holder is offset by the amount of some one's obligation—its credit effect by its debit effect.

And that isn't quite all in this connection, Doctor; there is something even more important. Did you ever look at the statistics of the value of aggregate wealth in slavery times? If you have done so with any care, you have noticed that the market value of slaves was counted in with the value of horses, houses, cotton and grain. But I reckon that after what we have been saying it must be plain enough to you offhand that this statistical habit gave a grossly false result. Wasn't Uncle Tom worth $2,000 to his owner? Very likely—to his owner as a means of getting social service without giving social service; but not for a census of the world's wealth, in a world made up of enslaved men as well as other men. Uncle Tom was worth $2,000 to his owner because he was under a legal obligation to let his owner retain all his earnings above his keep. Since those net earnings were likely to average in the future about enough to make the prospective earner worth $2,000 to any one who had the legal right to withhold his earnings from him, Uncle Tom was worth in the social service market $2,000 to his owner. Yet Uncle Tom's future service, no matter what you say of his past service—his future service and its fruits belonged in all fairness to Uncle Tom himself, and not to his owner. So, if they were to be counted at all in the census as a first entry, they should have been balanced off by an opposite entry. If Uncle Tom's owner was to be charged in the census ledger with $2,000 for this item, Uncle Tom should have been credited with the same amount before a balance was struck; for that which society was to give Uncle Tom's owner, one

of its members, it was to take away from Uncle Tom, another member. Isn't it so with the horse? No. The horse isn't a man, one of the citizens of the world; and Uncle Tom was. The slave's value to the owner was the value merely of an arbitrary power of one man over another man.

Reduce any man to slavery and you increase the income power of the owner, but at the same time you reduce the income power of the slave; the assets of the world are unaffected. Abolish slavery and you reduce the income-power of the owner, but you increase the income power of the slave; the aggregate of income power remains the same. The value, then, of such property as slaves is no more a census value than is the value of my chattel mortgage on your horse.

Possibly you think that statistics of this kind went out of fashion with slavery. They didn't. Look at old Sampson's vacant building lot across the street. Do you know how it figured in the last census? Just about as Uncle Tom used to. It figured as an item of $2,000 in the sum of the world's wealth. Now, isn't that absurd? Why, it's the same old lot and in the same old condition as when Noah disembarked on Ararat. It had no census value then; why should it have any now?

What does this $2,000 of census value mean? Well, I'll tell you what it means. It means precisely what Uncle Tom's value meant. It means that Sampson, old Simon D., the owner of that building lot, has the legal right, without rendering any social service himself, to take for his own enjoyment part of the earnings of any social servitors who may use that building lot for purposes of social service. His power in this respect is valued at $2,000 by the social service market. To him, then, it has that value, just as Uncle Tom had to his owner. But to the rest of the world, to the social service market—and that is

the point—it has no value at all; no more than Uncle Tom had. Anything that Sampson gets for the use of that building lot, which hasn't been improved by any of its owners, somebody else must pay. His gain is the social service market's loss. To count such an item in the sum of the world's wealth is as absurd as saying that poor thriftless old Jimmy Schuyler is worth fifty dollars because that is what he says he would sell his wife for, whenever he gets drunk.

The value of Sampson's building lot doesn't represent social service done or being done, any more than Uncle Tom's slave value did. It merely represents a legal power in one man to exact a share of social service yet to be done. Abolish that power and the world is not a dollar the poorer. Sampson might lose, but others would correspondingly gain. No, I am not getting into my "single tax fad," either. Wholly irrespective of that question, any census which includes in the aggregate of social-service values, such things as land values, slave values, chattel mortgage values and values of other mere certificates of title or bare legal powers, is a false census. If these values are included for some useful purpose or other, as they very well may be, they should be charged off when it comes to striking a balance to show the value of the world's wealth, or the nation's wealth, or the city's or the township's wealth, or the aggregate of wealth by whatever term you describe it. That's what I want you to understand. You do understand it, but when you see a census report of values you seem to stop thinking of it. If you thought for a moment you would realize how enormously that very report is stuffed with mere title and obligation values, mere bookkeeping values—values that disappear as soon as personal

assets and liabilities are balanced off against each other.

The confusions we have been speaking of are often supplemented with another. Money and the language of money come to be thought of as identical. But in fact they are altogether different things,—and this in a very important sense. In comparing our knives, for instance, which we were trading even, we might have said, in the language of the social service market, that they were each worth three dollars. But though we had used this money vocabulary, our essential idea would not have been a money idea at all. It would have been an idea of the relation in exchange of one knife to another. The money terms would merely have expressed our mutual recognition of the fact that knives like those two were equally desirable and equally scarce.

If we speak of old Simon D. Sampson's fortune, saying that he is worth a million dollars, our essential idea is not money. We know that he doesn't possess a million dollars in money. What we mean is that in a measurement of all his property by the mode of measurement in use in the social service market—namely, by those comparisons of relative desirability and scarcity which we call valuation—old Sampson's fortune measures up to a million dollars. A million dollars of what? Well, according to his inventory of assets it might be a million dollars of houses, of building lots, of bonds and mortgages, of corporation stocks, of bank balances, of actual money, and what you will besides; but in the last analysis it would be a million dollars' worth of power to obtain social service.

We must remember, then, that money is quite a different thing from the terms or language of money. I recall in this connection an interesting and rather suggestive observation by Lee Meri-

wether, which he published in a magazine a few years ago. Writing of his travels in the old Hudson Bay territory, he described a custom there of measuring social service values in terms of "skins." As we would estimate a commodity as worth so many "dollars," they would estimate one as worth so many "skins." Yet the word was as pure an abstraction as our dollar mark. There was no particular skin which the term identified, and nobody could recall that there ever had been one. Nevertheless, this abstract term served all the purposes of value measurements in that remote department of the social service market. A deer skin was worth so many "skins," while a muskrat skin was worth so many fractions of a "skin." On that frontier, then, the word "skin," like the dollar mark with us, or the pound mark in Great Britain, served as a common denominator for expressing the relation in exchange of deer skins to muskrat skins or any other skins, of one skin of any kind to another skin of the same kind, of skins to groceries and weapons, and of everything else to one another.

Meriwether's story may sound queerly primitive, but the civilized city of London furnishes an exact parallel at its very financial center. Does the British "pound" refer to a pound of anything in particular? It once meant a pound of sterling silver, as the Hudson Bay "skin" may once have meant a particular skin long since forgotten. But to-day the British say "pound" as the trappers say "skin" and as we say "dollars;" and none of us refers to any particular object,—not consciously, at any rate. "Skins," £'s, $'s—what are they to any of us but *x*'s in the algebraic equations of social service?

Even if we were influenced in our judgment of the value of the dollar by the act of Congress which gives the name of "dollar" to a certain quan-

tity and fineness of gold, the fact would still remain that money tokens, whether of gold, silver, copper, nickel, iron, tin or paper, are absolutely different from money terms. That this difference may be exceedingly important, is evident from a consideration of our stupendous banking transactions. Scores upon scores of thousands of checks upon banks are drawn every day, and every day balances are settled at the clearing houses. These transactions, described as they are in money terms, mount up to hundreds of millions of dollars daily. Yet but little actual money changes hands. If you wish to be surprised at the magnitude of the transactions and the small percentage of actual money paid, take a glance at some clearing house report. In turning the leaves of Cannon's history and methods of "Clearing Houses" the other day, my eye fell upon two tables that give an idea, though they are old now. They showed the aggregate of clearings through the New York clearing house alone, from 1854 to 1899—the book was published as far back as 1900,—and I confess I was not prepared for what those figures indicated. The highest aggregate of clearings in any year was for 1899. Of course it is much larger now. But for that year it was more than 57,368 millions of dollars—almost 200 millions daily. And how much of all that enormous sum—that sum that expressed only a part of the interchanges of social service in only one part of only one country in only one year—how much of it do you suppose was represented by actual money? Only a little over 10 millions a day. The proportion of actual money to clearing house transactions was less than 5½ per cent. So we may see that the multitudinous exchanges of social service in this great big industrial world of ours, exchanges aggregating vast values in the language of money, are effected by means of a very slight use of actual money.

For the most part, then, social service obligations, though described in terms of money, are redeemed, not in actual money but in social service. Yet if we recur to what we have previously considered, we shall remember that actual money, while essentially different from money terms, is only one degree removed from money terms with reference to the redemption of social service obligations. As these obligations are for the most part redeemed in social service and not in money, money itself is also in the last analysis redeemed in social service. For money is, as we have seen, merely a token for facilitating exchanges of social services.

That is to say, such is the nature of its use. Its abuse we have postponed the consideration of, since that belongs to the pathology of the subject of which we are now considering only the "healthology." The point I am here trying to impress upon you is that a clear apprehension of money functions is the first requisite for a solution not only of money problems but of all the other problems of social service.

But is there really a possible solution even of money problems, to say nothing of all other social-service problems? Does not everything ceaselessly change, so that we no sooner think we have settled a problem than it exhibits new aspects and new varieties of confusion? And do I think it possible for any but specialists to even cope with such difficulties?

Ceaseless change! Yes, all problems do undergo ceaseless change. And it is true that only experts can deal with the particular difficulties which these changes present. But, Doctor, are you not a little like so many scientific men, whose devotion to particulars makes them blind to generals? From close inspection of one side of the shield are you not ignoring the other side? If we are to "see life and see it whole," to quote one

of your favorite phrases, we must look at its wholeness as well as at its detail, at its generals as well as at its particulars. There is indeed ceaseless change. All things change. But then there is also rigid stability. All change is in obedience to invariable law. Though details change ceaselessly, fundamental principles are "from everlasting unto everlasting"—"the same yesterday, to-day and forever."

You pin your faith to evolution. But you never think of the changes of evolution as occurring without a persistent impelling force, a stable evolutionary principle. If you did, you couldn't pin your faith to it. Don't you know—of course you do—that the details of evolution are but mutable manifestations of immutable law? Should principle ever seem to have changed, it is not principle itself, but human apprehensions of it that have changed. The principle is always the same. Gravitation was no different before it sent a message to Newton in a falling apple than it was after he revealed the message, nor electricity before Franklin played with it than after nineteenth century inventors had harnessed it. And didn't the earth turn on its axis every day just the same when folks thought the sun rolled around it, as after they learned that it doesn't?

Apply these observations to the science of social service, and you will see that while mastery of the innumerable and ever changing details of social service is out of the power even of experts, the stable principles are so few, so obvious, so easily understood, that any sane mind can grasp them. You will remember my admonishing you at our dinner in Joseph's restaurant, that the particulars of social service are incomprehensibly numerous and intricate. No man can master every sort of service. Building must be left to builders, farming to farmers, "lawing" to lawyers, "doctoring"

to doctors, financiering to financiers, and so through the endlessly intricate labyrinth. But it requires no expert to understand that all this detail with its ceaseless variations, has for its impulse the human desire for comfort, and for its natural end and object the continuous and universal satisfaction of that desire. Here, then, is a simple yet tremendously important generalization. Other generalizations equally obvious and equally important, I should like to talk about after awhile; but the truth I wish you to realize just now is the stability of essential facts, no matter how variable their particular manifestations may be. The essential facts or general principles of social service must have been true since man became a trading animal; they must continue to be true while man remains a trading animal.

So the essential principles of money must have been the same ever since anything that can be called money came into use, and must continue unchanged so long as anything that can be called money remains in use. Since the details vary, expert financiers must work for us in the minutiæ of financiering. That is their function in the specialized intricacies of social service. But the essential principles of money may easily become as clear to our vision as to theirs—possibly clearer, for we are not distracted as they may be with responsibility for observing the confusing and changing details.

If the essential principles of money, those great generalizations which remain stable through all the mutations of the infinite details of financiering—if these take lodgment in our habits of thought, we shall be alert to know whether our experts are working for us loyally or not. Though ignorant of details we shall be alive to tendencies.

You and I do not know, for instance, how to make an automobile. We are not expert in the facts,

nor in the possibility of improvement in automobiles. We cannot even manage an automobile. We leave all those complex details to experts. But we do apprehend the general and unchanging principles of wheel locomotion, and so are capable of knowing whether an automobile is going or not, or is going forward or backward, or is standing still, or is toppling over into a ditch. No folly by experts regarding the large facts and general principles of automobile locomotion can deceive our common sense, however incapable we may be as to particular devices. Or, to take a leaf from our own personal experience, yours and mine. When I invaded the carpenter's specialty one day and mashed my thumb with a hatchet while trying to drive a nail, I had to go to you for anatomical repairs. I wasn't specialist enough in anatomy to reconstruct my own thumb. But I didn't need you nor any other specialist to tell me that the thumb hurt, that it needed repairs, and that it was a blow with the head of a hatchet that had done the damage. I knew those facts as well as you could, and better in this case than you did. The general subject was in my province; the specialized details were in yours. In further illustration I might remind you of something still more profound in your own specialty. You know immensely more, Doctor, about breathing organs in the animal kingdom than I do. I am no physiological expert and you are. You know about the lungs in man, and the gills in fishes, and you may possibly have studied the subject so minutely as to be able to distinguish animals with no apparent breathing apparatus at all. So much for particulars. But when it comes to generals, I know as well as you do that in some way and somehow, whether by one kind of apparatus or another, every living thing breathes.

Something similar can be said of the difference

between an ordinary sane man and an expert financier with reference to money. Although you and I know nothing of financiering as a business, but must leave that to experts, we can apprehend and appreciate the larger facts, those elemental laws, those essential principles which unchangingly govern the use of money in social service.

We know that money is a means to an end—the end, namely, of promoting and distributing social service.

We know that its function is to serve as a token or intermediary for exchanging social service.

We know that it performs this function when it is current in the social service market,—that while such anterior considerations as origin or material may make it current, its currency is its distinctive quality.

We know that money and the language or terms of money are entirely different things, money being a current token for the interchange of social services, and the language or terms of money being verbal expressions for the same purpose but as well without as with the use of tokens.

We know that interchanges of social service by means of money or its terms are made on the basis of value.

We know that value is not a thing by itself, but is a mere attribute of marketable things; and that it is regulated by their degrees of desirability relatively to their degrees of scarcity in comparison with one another.

We know, therefore, that money is a device for acquiring from our fellow servitors in the social service market, in fair exchange for our own services, the things that we desire for our comfort.

Consequently, we also know that the use of money is the primary consideration in any inquiry into the science of social service.

CHAPTER III.

The Abuse of Money in Social Service.

When I spoke of the use of money in social service, Doctor, I ventured to call that branch of the subject its "healthology," in contradistinction to its pathology, which I should like to talk about now, if you don't mind.

You musn't blame me for inventing a barbaric word for the antithesis of "pathology." A more scientific one I could not think of, and the thesaurus doesn't help me out. We have no word, have we, which denotes the science of health as comprehensively as "pathology" denotes the science of disease? How significant this is of the channels in which the scientific mind has run in human history—how suggestive of a tendency to prefer the study of disease to the study of health. That is an indictment, Doctor, to which your profession would have to plead—"guilty," I was about to say,—but we may mercifully let it off with a "nolo contendere." You needn't blush. All of us might be grateful to get off as easily. I will confess to you in confidence that even the law is a hotchpotch of pathological instances instead of a science of righteous principles. And isn't this true of all the sciences that we may distinguish as sciences of tendencies? They seem to be tangled up in the puzzling coils of empiricism. And of none is this more strictly true than of the science of social service. While your profession, in spite of its entanglements in empiricism in the past, has begun to get glimmerings of the bene-

ficent principle that in the long run it is good health that is "catching" rather than disease, the science of social service is still groping in pathological mazes. This is where that "root of all evil" quotation comes in with reference to money —on the pathological side of the subject.

We were ready to agree, were we not? that the love of money—not money itself, but the love of it—is the root of all evil, and that this is because the love of money is equivalent to love of dominion over our fellow men. Then what do you say to a little elaboration of that thought?

Love of dominion expresses itself socially, in its crudest form, as chattel slavery. You remember the great preacher—Wilberforce, wasn't it? or was it Wesley?—who denounced slavery as "the sum of all villainies." Whoever he was, nobody ever spoke a truer word. It is only less subtle, not less true, than that the love of money is the root of all evil; and if we would know why this is true of love of money, we may find out by asking ourselves why slavery is the sum of all villainies. The answer is that slavery involves an assumption of the right, and implies possession of the power, to commit every kind of crime that man can commit against his brother man. Doesn't it comprehend the power, the assumption of the right, and habitually the act itself, of appropriating the slave's earnings—which is theft? Doesn't it comprehend the power, the assumption of the right, and sometimes the act itself of forcing the slave's body—which is rape? Doesn't it comprehend the power, the assumption of the right, and sometimes the act itself, of taking the slave's life—which is murder? If there are any other villainies worth mentioning, you will find upon considering them that slavery comprehends the power, the assumption of the right, and the act itself (occasionally if not habitually) of committing them all.

Wouldn't you agree, then, that love of slavery is the root of all villainies? You can't deny it without denying that the slave is a fellow man. For what does love of slavery imply but a ruling desire to commit the villainies—one or some, some or all—that slavery permits? and what is a ruling desire to commit villainies if it is not the root of villainies? Well, love of money is essentially the ame thing as love of chattel slavery.

It is love of slavery in refined and subtle forms—in forms in which you will find, despite their superficial refinement, every villainy that lurks in chattel slavery. There is the same love of appropriating the earnings of others. We call it by milder names, because it takes the form of free contract; but you and I know that most labor contracts are not free except in form. The freedom of the ordinary worker in selling his services for wages is something like that of the boarding-house resident of whom the comic papers used to tell. He asked the waiter what they had for breakfast and got this brisk reply: "Salt pork and shad—shad's all gone—which'll you have?" To love money is to wish to be able to compel social servitors to give more service than they get. And isn't this the essence of stealing as truly when it is masked in a pretense of free contract, as when it candidly takes the form of chattel slavery? But stealing is not the only villainy which, comprehended in slavery, is also an evil of which love of money is the root. There is likewise rape. Society knows of it in the love-of-money guise as prostitution, and places the blame upon the victims; but you and I know that prostitution is far less a result of feminine unchastity than of economic coercion. And we are beginning to see, are we not? that love of money is the root, not only of stealing and of rape but also of murder. Society may not be able to accuse anybody as one

of the murderers, but there is murder nevertheless. You don't suppose, do you, that men and women and children throw away their lives in deadly vocations and disease-breeding homes, for their health?—women, mind you! and little children! Mrs. Browning's pathetic "Cry of the Children" would bear this year's date as well as that in which it was written, and it was no fable when she wrote it. Is it a voluntary sacrifice, then, this waste of lives—a voluntary sacrifice for the common good? Wouldn't that be excessive devotion by the poor? It is only the poor, you understand, that sacrifice themselves in this wholesale way, regardless of age or sex, to the insatiate demands for unrequited social service. Then why the sacrifice? Ah, Doctor, you and I know, for we have seen somewhat of the ups and downs of life, that the abnormal mortality of what we call "the working classes"—those whom we unconsciously compliment with the implication that they alone eat their bread, such as it is and what there is of it, in the sweat of their own faces—we know that the excessive mortality of that class results from economic coercion. Through pretenses of free contract, expressed in the language of money, they are coerced even unto death, as truly as if they were chattel slaves cringing under the murderous lash of an overseer. The lash of an overseer! What is that, to hunger and cold? or fear of it, to fear of hunger and cold?

> You can speak the keenest word,
> You are sure of being heard,
> From the point you're never stirred,
> Hunger and Cold!
>
> Cheeks are pale, but hands are red,
> Guiltless blood may chance be shed,
> But ye must and will be fed,
> Hunger and Cold!

The "hideous lusts" of Hunger and Cold which

Lowell's democratic stanzas describe, are the coercive force of our time. They supply vitality to the villainies of slavery in social conditions where a crude chattel slavery has given place to subtler forms. Under false pretenses of freedom of contract, disguised in the legitimate language of money, slavery still holds sway. We cannot make individual beneficiaries of this slavery responsible as thieves or ravishers or murderers; for those offenses of our finer forms of slavery spring from subtle social maladjustments rather than individual aggressions. But don't let us fool ourselves, Doctor. The offenses themselves exist—stealing, rape, murder,—and have their roots in that love of money which, analyzing into love of slavery, into love of dominion, into love of getting service without giving service, is the root of all evil.

How often do we hear our friends say, "I wish I had plenty of money." Perhaps we catch ourselves saying it sometimes—thinking it at any rate. But why do we wish for plenty of money? Oh, to do good to others with, of course, and only incidentally to have an easy time ourselves! Is it earned money that we wish for? Do we wish to render service for it? Not on your life! if you will permit me the slang. What we wish is to escape the necessity of rendering service. It is not earned money, but "easy money" that we wish for.

Having money, we should have evidence of title to social service. But not having given service of our own for that evidence of title, somebody would have to lose the equivalent of any service that it bought for us. The person of whom we bought might not lose, or might not lose much; and if we could follow the economic history of all our purchases with that unearned money, to the very last item in the farthest recesses of raw-material production, we might not discover that any particular servitor

had lost much through our lucky fortune. But in the great round-up of social services, every dollar's worth of service we bought with our "easy money" would be taken from somebody without compensation. As sure as arithmetic is arithmetic, this would be so. In the exchanges of social service by means of money there must be loss of service somewhere, if anyone gets the service of others with money for which he has not rendered corresponding service of his own. The loss might be spread out thin, like an insurance loss, but loss there would be.

Mind you, I am not saying whether getting without giving service is reprehensible. That depends. You gave service to me without getting service from me when you paid for my dinner at Joseph's; but this was hospitality. Your father gave service to you without getting service from you when he sent you to college; but that was an expression of paternal love and duty. Sampson paid you fifty dollars for his hired man's negligence in hurting your horse; but that was compensation for an injury. The bootblack who gave to a beggar the nickel you paid him for a "polish" this morning, gave a title to service without getting any service or title in return; but he did it voluntarily, out of the depths of his generosity and the shallows of his pocket book. If the beggar had forced the nickel from him, or the bootblack had dropped it and the beggar had furtively appropriated it, there would have been a different moral problem. But the social service fact in all those instances would be the same,—that somebody had given service without getting service in return. So would it be with our fellows in this world of social service were our wishes to come true. The social-service fact would be the same, however different the moral problem, if some potent fairy in the form of a special priv-

ilege under the law (the only form in which these fairies ever come) were to grant our wishes for "easy money." We should get service without giving service.

Most of us have to take these wishes out in wishing, though others are luckier. You, for instance, are luckier to the extent that you get royalties for allowing those Pennsylvania miners to dig for coal in what the law calls "your" natural coal deposit. But we are all virtuous enough when we indulge our amiable wishes for "easy money." Don't we vigorously vow a beneficent expenditure of most of it? Aye, indeed! we promise large sums to make the poor comfortable! But didn't it ever occur to you that this is uneconomical of energy? Why not wish for large sums for the poor directly, so that they may make themselves comfortable? Zangwill illustrates the generous disposition of "easy-money" wishers with his story of a pious man of dubious reputation, whose wishes for money took the form of prayer. "O Lord," he prayed, "give me a hundred thousand dollars and I will distribute fifty thousand among the poor." Then he paused, recollecting his doubtful reputation, and after reflection he added: "And, O Lord, if you can't trust me, give me only fifty thousand dollars and distribute the other fifty thousand among the poor yourself." The story points to that love of money which is the root of all evil. It is love of unearned money, love of titles to service for which no corresponding service has been rendered, love of getting service without giving service, love of something for nothing. This is what constitutes love of the abuse of money in the sense in which I am discussing its abuse.

For what we are trying to consider, let me warn you, is not the abuse which an individual possessing money may subject its expenditure to; but that abuse of the normal functions of money,

as a medium of exchanging social services, to which it may be automatically subjected by pathological social conditions. Our question, therefore, is not whether services exchanged by means of money or in terms of money, are of a kind to merit the approval of virtuous people, but whether or not its function of effecting exchanges fairly is out of joint. The mechanism of trade, and not the personal morality of traders, is the object of our inquiry. Very likely we may use or abuse money by our modes of expenditure. Old Simon D. Sampson, for instance, might be said to have *used* money when he contributed to the building fund of our little church, and to *abuse* it when he buys his morning cocktail. But these uses and abuses of money are personal to him. They don't affect any right of yours or mine to get service for the service we give. By contributing money to the church fund, he directed to church-building, social services that he might have directed to the making of cocktails, which we may agree was a good thing for him to decide to do; by buying cocktails, he directs to the liquor trade social services that he might direct to church-building, which we may agree is a bad thing for him to decide to do. But so far as the exchanges of social service are concerned, neither of these things is either good or bad,—neither is a use or an abuse of money in the social service sense. Although his love of money for church-building purposes may have much to do with his personal character, with his individual vices or virtues, it has nothing to do with the fairness of his power over the labor of his fellow men. Although it may have much to do with his use or abuse of money in his choice of personal expenditures, it has nothing to do with the social use or abuse that the money serves in effecting exchanges of social service fairly or unfairly.

Don't you recall my saying that the use of money facilitates exchanges of social service fairly? That was when we were considering the "healthology" of the subject. Consider, then, that its abuse is the facilitation of exchanges of social service unfairly, and you have the pathology of the subject. Were you to ask me to distinguish between money in course of use, and money in course of abuse, I should say that money got in free exchange for services rendered by others, is to that extent, money in course of *use;* whereas money got without rendering service for it, unless a voluntary gift or compensation for some loss, is to that extent money in course of *abuse.* And I don't think that it makes any moral difference whether money got without service, and not as a gift or compensation for loss, is got against the law or by means of the law.

You needn't frame the question that is on your lips. Pardon my interrupting, but I know what you want to ask. It's about the gold standard and silver coinage, isn't it? Well, that is an aspect of the subject which, like every other special question regarding money, comes under the head of its pathology or its "healthology," its use or its abuse, according to the special circumstances.

At the outset it raises the curious question of "intrinsic value." Value cannot be "intrinsic," say some. They are right, of course, if they mean to deny that the value of an object is like its weight or length or breadth or thickness or sweetness or bitterness—a quality inherent in the object itself irrespective of every other object. Oh, yes, it may be true, if you wish to cut the thing so fine, that no object has any quality whatever irrespective of the sensations of another object—no value without a valuer, no taste without a taster, no smell without a smeller, and so on. But that is not the point. The taster or smeller

is conscious of taste or smell, isn't he, regardless of comparison with any other object? But the valuer is not conscious of value, is he, without such a comparison? There you have the real point. Value alludes to a certain comparison of objects with one another. So I agree with those money-question disputants who say that there is no such thing as "intrinsic" value, provided they mean to deny that value attaches to any object irrespective of a comparison with other objects.

But I suspect that with this interpretation everybody else agrees with them. There is no controversy over the importance of "intrinsic" value money in the strict sense of the word "intrinsic." This controversy, like so many others in connection with social service, lives, moves and has its being in a confused meaning of words. Those who argue for or against money of "intrinsic" value are not thinking of value as an inseparable quality, such as qualities that affect our senses directly. Like all the rest of us, they are thinking of "value" as a term of comparison. But they take the comparison for granted, as something which everybody understands, somewhat as judges, dispensing with sworn proof, take judicial notice of the facts of common knowledge. The relative desirability and scarcity of objects being commonly distinguished in terms of value, as a result of habitual comparisons in the social service market, they see no impropriety or ambiguity, and neither do I, in using the word "intrinsic" to distinguish from the currency value of money tokens, the value of their material. We know, for instance, that a fifty-dollar greenback passes current for fifty times as much as a one-dollar gold-piece, although the material of the gold piece is worth probably 500 times as much as the material of the fifty-dollar greenback. Why is it not entirely proper, then, if we have oc-

casion to talk about this difference, to say for short that the gold piece is money of "intrinsic value" and the greenback is not? We are not deciding the question of why the one is so much more valuable than the other as a money token while its material is so much less valuable as a commodity; we are only recognizing the fact, and fact it certainly is.

At any rate that is what the advocates of "intrinsic value money" do. They use the word "intrinsic" to distinguish money tokens made of material having a value corresponding approximately to their denominational value, from money tokens made of material of comparatively little or no value, or of value which does not correspond to the denominations. A better word than "intrinsic" might be found, but this word need not confuse. We can say, without ambiguity, that gold money, silver money, and nickel money, have different appreciable degrees of "intrinsic" value, and that paper money has hardly any.

In the gold and silver controversy both the gold metalists and the bi-metalists advocate money of full "intrinsic value." But the gold metalists contend that silver money is "unsound," because its coins are of much less "intrinsic value" than their currency stamp or denomination. The bi-metalists attribute this difference to the free coinage of gold by government and the refusal of government to coin silver freely at the old ratio of 16 of silver to 1 of gold. By this discrimination in favor of gold, so the bi-metalist argument runs, gold is given a large market which is denied to silver—a market for use for money tokens—and it consequently rises in value relatively to silver. You see the point, don't you? The desirability of silver being by this discrimination diminished relatively to its scarcity, it becomes less valuable; but offer it free

coinage, and its desirability (its scarcity remaining the same) would so increase as to restore the old equilibrium.

This argument for the free coinage of silver and gold at 16 to 1, turns upon what you have often heard of as the "quantity theory" of money, a theory which prominent gold mono-metalists have pretty vigorously disputed. They insist that the free coinage of silver and gold would not, and the free coinage of gold alone does not, affect their relative values. The desirability of a metal relatively to its scarcity, is not in their view enhanced much if any by coinage.

This argument is related, of course, to rapidity of circulation. A larger volume of business can be done with a given quantity of money if the money circulates rapidly than if it circulates slowly. That is plain enough. If 100 one-dollar purchases are made in a town in a given time with only one 1-dollar bill, that town doesn't need as large a volume of dollars, all other things being the same you know, as it would if it took two 1-dollar bills to make 100 purchases in the same time. The use of checks instead of money tokens has the same effect in this respect as rapidity of circulation. That also is plain, as you will realize if you recall what I said about banks and clearing houses. Consequently, the quicker the circulation of money tokens, or, what is the same thing, the more general the use of checks on banks, the less is the demand upon money material relatively to the amount of business done, and therefore the less the effect of coinage upon the value of coin metals.

But I don't intend to discuss the merits of this question. To do so would take me far afield into the mazes of gold and silver production, prices, and all that sort of thing—important enough to the experts, but not important in the more gen-

eral relations of social service. It is not minute variations, but the general order of things, that you and I need to grasp. I have touched upon gold and silver coinage at all only to get at the general character of the controversy as a necessary preliminary to considering the bearing, one way or the other, of coinage upon the question of the use or abuse of money in social service.

Let me digress again, however, to say that the mono-metalists and the bi-metalists are not the only money philosophers. Against both sides to that controversy are the Greenbackers, whose ideas have survived their political activity, and who deny the utility and assert the wastefulness of using valuable material for money tokens. And between the Greenbackers and the "intrinsic value" advocates there is a group which stands for a standard unit of value measurement consisting of a definite quantity and quality of a particular metal of "intrinsic value," but which would use non-valuable material for currency. Premising that so many grains of gold so fine should be the standard dollar, these money theorists would coin no dollars of gold and issue none of paper or anything else, but would leave private parties to issue their own money tokens or currency with reference to the prescribed standard dollar as the unit of value.

However intricate these money questions may be, and indeed they are very intricate, our present purpose is served, as I have just intimated, by summing them all up in the larger question of *use* or *abuse*, in the sense in which we have adopted those terms. In so far as money, whether of "intrinsic" or of "extrinsic" value, may automatically operate in the social service market to divert service from workers to idlers, it is money in course of abuse. The normal healthful purpose of money being to facilitate the distribu-

tion of social services fairly, on the general basis of service for service, any kind of money which operates to distribute social service unfairly falls into the pathological category.

I shall ask you to consider, then, if you don't mind, the manner in a general way in which gold or silver coinage, or paper money, or any other money system may cause unfairness in the exchanges of the social service market. Do you remember our observations as to the currency of money? We agreed, you will recall, that money performs its function as an intermediary of exchange because it is current—because it passes readily from hand to hand as a token. You will remember also that the value of its material, the certainty of its full redemption by government, even its genuineness, are indifferent matters so long as each person to whom it is offered for a service is confident that the person to whom he offers it will give equal service for it. In other words, confidence in its currency is the life of money. Destroy this confidence and the money is dead as current money, for it no longer passes; shake this confidence and the money is shaky as current money, for it no longer passes readily. The material may be valuable, dollar for dollar, or the government's guarantee or a business establishment's guarantee be perfectly good, and the money may be genuine and not counterfeit; but if there is fear that the next man to whom the money is offered will hesitate or refuse to take it, its currency quality is on the road to destruction.

Now, this fear may be caused by a suspicion that the money is counterfeit, or an impression that its material is worth less than it appears to be, or that the government will not or cannot redeem it. Consequently, considerations of gen-

uineness, valuable material, or certainty of governmental redemption, do enter into the money question. Although they are matters of indifference so long as confidence exists that the next man will take the money when it is offered to him—so long, that is, as confidence in its currency quality exists—those considerations may become highly important as factors in determining this very confidence. The reason, did you ask? Credit. Nearly all social service transactions are necessarily credit transactions.

Didn't it ever occur to you that employers get credit of a week or a month from their workmen—credit until pay day? And don't many folks buy at stores on credit? You give credit to your patients, for they pay you after your work is done; while I get credit from my clients, who pay me retainers before my work begins. Credit is unavoidable, unless we resort to primitive barter. Even in the case of the primitive barter which we have imagined, that of Farmer Doe's doing a day's work for Farmer Roe in haying, don't you remember? in exchange for a day's work to be done in harvest—even in that case Doe gave credit to Roe. It is indispensable in every trade unless the parties render service to each other concurrently, which could happen only in some instances, such as a carpenter shingling a farmer's roof while the farmer plows the carpenter's corn lot. All such credit as that between Doe and Roe is purely personal. If Roe is a man of his word and lives, Doe will get his day's work in harvest. But when money intervenes, there is a different kind of credit. It may include personal credit, as in the case of Doe and Roe, but it includes more. It includes what we might call currency credit.

Suppose that Roe, instead of agreeing to pay Doe for the day's work in haying with a day's

work in harvest, should agree to pay in money, and should in fact pay "spot cash." In that case Roe is under no further obligation to Doe. There is no credit between them. But Doe, although he has the money which discharges Roe's obligation, has not yet got the service he will want in exchange for the service he has given. He will want a day's work in harvest, and he must get it by means of the money he has earned at haying. Consequently the question with him is whether this money, representing his service in haying, will buy him an equivalent service in harvesting when harvest time comes.

If we were to suppose that the payment was deferred, then Doe would be giving personal credit to Roe the same as if the payment were to be in future harvest work; but as the transaction is in money terms, he would also be giving credit to the kind of money in which he is to be paid. His question, then, is not alone whether Roe will pay the agreed sum; it is also whether the kind of money Roe is to pay will buy the desired harvest work.

All money transactions, whether the token passes in cash payment or the amount is credited in terms of money, involve similar considerations. Note them carefully. First, when you are offered money in cash payment for your service, you take it, or refuse it, or discount it, according to whether you think the next man will take it readily in payment for his service of equal value to yours. Will it effect for you a fair exchange of service? That is your question in the case of cash payments. Second, if you sell your service for an agreed sum in money, but give credit, thereby bringing in the element of deferred payment, your question is not only whether your debtor will pay when the debt matures, but also, as in the other case, whether the kind of money

you are to take will pass current on the same basis in the future as now, so that when you get it you can buy in service the equivalent of the service you have sold. These are the considerations that make the gold question, the silver question, the greenback question, and every other money-system question, important. They are the fundamental considerations by which the details of all such questions must be tested.

If gold is more stable than silver in point of desirability and scarcity, money tokens of gold and money terms translatable into specified terms of gold as a commodity, will doubtless have a tendency to preserve the equilibrium of social services in exchange, better than silver tokens or money terms translatable into terms of silver. In those circumstances money brokers would refuse to receive silver tokens as readily as gold; and from the extension of their example among their customers, confidence in the currency of silver and in the stability of money terms translatable into specified terms of silver as a commodity, would be shattered. The converse is equally true, for precisely the same thing would happen to gold if currency confidence in gold tokens and gold terms were similarly disturbed. It could not happen to paper currency for quite the same reason, since currency-giving confidence in paper money does not hark back, as that of gold and silver money does, to the value of the material. But as currency-confidence in paper money does hark back to the power of the original issuer to cause redemption in full in social service, the principle as to disturbances of currency quality is the same with paper as with gold and silver. In the case of paper money, a spreading distrust of the value of the issuer's promise would check its currency; in the case of gold or silver money it would be distrust of the value of the metal of which the

token is made. Neither consideration is of any importance except as it may produce doubt in the public mind—not doubt as to the value of the money material, for few want the material, nor as to the value of the ultimate redeemer's promise, for few care for ultimate redemption; but doubt as to whether under those circumstances the next man in the social service market will take these tokens as currency or deal on the basis of these money terms. When that doubt arises, no matter how or why the doubt, the doubt is of vital importance.

Don't you see, then, how alterations in money standards may operate pathologically in social service? If they alter between the taking and the spending of money tokens, or between the making and the payment of a debt, one party to the exchange will either get more service than he gives or give more service than he gets. This may make little practical difference—none worth considering perhaps—in cash transactions or on short time debts; but on long time debts, which are usually public debts, and on fixed charges, such as statutory salaries, car fares, annuities, and the like, it might make a great difference.

Interest? Yes, interest is a money question; but not, I think, in the way that some of our friends suppose.

If money standards rise, current commercial interest will fall. Didn't you notice it when gold, the money standard, was dear? Interest and prices both fell. But when money standards fall, current commercial interest rises just as prices do. You may have noticed it when gold, still the money standard, was cheap. But this doesn't mean that money itself yields interest. It means that some of the things that money will buy, yield interest in cases of deferred payment. Although

"money doesn't breed," some of the things that money buys do breed.

The reason is much disputed, but isn't the fact plain? And doesn't this rise of interest with the fall of the money standard, and its fall with the rise of the standard, go to prove that money represents interest on services or their products, instead of yielding interest itself? Services or their products being dear relatively to the money standard, interest on account of deferred payments is correspondingly dear; services or their products being cheap relatively to the money standard, interest on account of deferred payments is relatively cheap. That is all there is to it, Doctor, except the explanations; and they are so very metaphysical and contradictory that they would make your head swim. We needn't consider them now. Some time, if you care to talk over the question of whether interest makes for unfairness in the interchange of social service, we may do it; but the point now is whether interest is a money question or not, and I don't think it is.

But you mustn't misunderstand me. At times there are charges for money which are mentally confused with interest. When money is said to be scarce, interest is often said to be high. This would seem to contradict the idea that interest is low when money is high, but it doesn't. Trace to its source what is called high interest for scarce money, and you will find one of two things. Either the need is for a scarce kind of money and at once, or else the high rate is not for the money but for some extra service or for the risk.

As an old Sunday school boy, Doctor, you will remember the New Testament story of the flagellation in the Temple at Jerusalem. Did you ever stop to think what the money changers were doing? Yes, they were selling money to their brethren at a premium. But why were their

brethren willing to pay a premium? Wasn't the premium the price of a particular "legal tender" under circumstances of immediate need? It was not interest for deferred payment. Similar instances have occurred in our own day, such for example as the high price of legal tender in times of panic. When debts can be discharged only with a particular kind of money, and that kind of money is scarce while creditors are pressing, and non-payment means disaster, ranging from corporal punishment in Roman times to business ruin in ours—in those circumstances legal tender fetches a premium. But isn't that premium a very different thing from interest for deferred payments?

Premiums for loan risks, also differing distinctly from interest for deferred payments, are often confused with it. Very well do both you and I know that poor people borrowing money have to pay enormous—well, we will call it "interest," since that is what they call it. Pawnbrokers get 25 per cent., and "loan sharks" get fabulous rates. But this isn't really interest. If the pawnbroker borrows capital at the bank he pays interest—say 6 per cent. But he gets 25 per cent. from his customers for the same money. How can this difference of 19 per cent. be interest? If it is interest, then he has to pay for his storage room, his clerk hire, his management, and so on, out of the interest on his money. Surely some of that 19 per cent. is rent and not interest for deferred payment, and some of it is wages and not interest for deferred payment. If this extra 19 per cent. is really interest, why do the pawnbroker's customers pay it? Why don't they go to the bank the same as he has done and get the money at 6 per cent. as he does? Isn't it because the bank won't trust them as it trusts him? No, Doctor, the high rates that people pay pawnbrok-

ers and "loan sharks," and which they confuse with interest on deferred payments in thinking of the transaction, are for the most part for rent, wages, and risk of loss. The interest for deferred payment which those rates include is comparatively a trifle.

I was reading one day in Moody's Magazine for July, 1907, an explanation of the "loan shark" business by Daniel Kiefer of Cincinnati. You know of Kiefer. He was formerly secretary of the Citizens' Mortgage Loan Company of Cincinnati, an organization intended to save poor borrowers from "loan sharks" by lending at a profit to the company of only 5 per cent. net. It succeeded. But its promoters learned a curious lesson about "loan shark" interest. In order to get 5 per cent. net on its capital, it had to charge, as Mr. Kiefer explains, 11½ per cent. per annum for $200 loans for a year, and as much as 48 per cent. per annum for loans of $10 for three months. Why? Pardon me a moment till I get Moody's and I will answer you with an extract. Here is what Kiefer says of the "loan shark" business: "Interest on capital is a very small item of expense in conducting a business of this kind. Operating expenses and losses for bad loans must all be paid out of usurious interest before the 'shark' will have anything for himself. A concern having $10,000 invested in a business of this kind in any large city will need an office force of four reliable and experienced employes whose aggregate annual salary will be at least $2,500; and other inevitable expenses will be at least $3,000 more. Interest on capital will be $600. Losses from bad loans will be anywhere from $500 to $5,000, according to judgment displayed in making loans, according to the manner in which delinquents are handled, and according to local industrial conditions." Don't you see that interest on deferred

payments is a small fraction of the ruinous rate the poor borrower has to pay? But let me read further. Referring to the charity loan society of which he was secretary, Mr. Kiefer goes on: "The rejected applicants must go to the ordinary 'sharks' for aid. Of course if it is not safe for the charity organization to grant any of these a 10-dollar loan at the rate of 48 per cent., it is not safe for the 'shark' either. In taking the chances he must charge a much higher rate."

I have mentioned the "loan sharks" as an extreme illustration. But the principle holds good throughout the social service market. So-called interest above the gilt-edge bank rate is not interest for deferred payment. It includes interest, of course, but for the most part it is made up of expenses of doing the business and of insurance against loss for risk. The principal item is for the risk. As this is paid in the name of interest, we carelessly think of it as interest; but it is as different from interest as is the premium on any other kind of insurance. Get your loan insured, and you can borrow at ordinary interest rates, no matter who you are nor how poor you may be.

When you hear of high interest on money you will find if you examine into it that instead of high interest it is high insurance. When you hear of scarcity of money in explanation of high interest you will find, almost without exception, that it is not money that is scarce, but credit that is non-existent or disturbed. As Emory Storrs once said, after being frequently told at banks that money was plentiful, yet whenever he tried to borrow was asked for collateral he did not possess, "It isn't money that's scarce, it's collateral."

If we pay interest—true interest as distinguished from wages and insurance premiums, interest as compensation, or extortion, or whatever

you will, for deferred payments—we are paying it not for money but for commodities, not for legal tender but for some benefit which the social service we really borrow will yield us simply through lapse of time, and which the lender will lose unless he gets interest. Were we to borrow sheep, we might have to return not only the sheep but some of the lambs and some of the wool—a share of the natural increase of the flock. Were we to borrow bees, we might have to return not only the bees but a share of their honey. Were we to borrow a field of growing grain, we might have to return not only the worth of the field in the Spring but a share of its additional worth at harvest. It would be the same if we borrowed money and bought those things. When we borrow money, and with the borrowed money buy objects, the interest we pay for the money is not truly interest on money. It has to do with the objects we buy. Whether or not this is an abuse, depends upon whether borrowing and lending conditions are free or coercive.

And now, Doctor, before going on, let us turn back a moment to a point we have already considered, that the "intrinsic value" of money is of comparatively little practical importance in current exchanges of social service. That is to say, the abuses of money that are properly attributable to variations in the intrinsic value of its material, are of short duration and relatively of no great magnitude. Creditors may gain or lose the benefit in some degree of past services, and debtors may correspondingly lose or gain. The owners of concrete forms of past services held in store as merchandise, may gain or lose and their customers correspondingly lose or gain. The effect is like that of the collapse of Confederate currency, or the detection of a counterfeit coin that has been current. If we lose, we lose social service

rights that we had accumulated in the past, but not the power of exchanging service and accumulating social service rights in the future. It may spell temporary loss, but not continuous enslavement.

Indispensable as are money and money terms in effecting exchanges of social service, and disastrous as for a time may be the effects of unscientific money systems when they break down, the great fundamental abuses of money in the sense in which we are using the word "abuse," as fostering unfairness in social service exchanges, does not lurk in the defects of money systems. No matter how perfect your money system, Doctor, you may find money still operating to distribute social service unfairly. I have heard it said that the better your money system, the slicker it might work in promoting that unfairness, and I am not sure that this is as extravagant as it sounds.

Do you care to consider how money, although of a perfect system, may be subject to abuse in the sense in which we are distinguishing the *use* of money from its *abuse?* Then you will have to help me solve the primary riddle of social service. What is that? Well, not much of a riddle. Only this: Why do men serve one another by swapping service? What is their motive?

Seems profoundly psychological, doesn't it? Maybe it is. And doubtless an expert could make it exasperatingly difficult. But it isn't difficult. It's as easy as wanting to eat.

CHAPTER IV.

Individual Self-Service the Primary Impulse of Social Service.

What is the primary impulse of social service? why do we habitually serve one another by swapping individual services? That is our riddle, isn't it, Doctor?

I have already told you that the answer is as easy as wanting to eat, and so it is. We serve one another because it is the easiest way of serving ourselves. That is the primary impulse, the natural law. Social service originates in individual desires for easy self-service. Aye, and mind you, its continuance as well as its origin depends upon those desires. Banish from human nature the individual desire for easy self-service, and social service would be at an end. We serve others in order to get easy money with which to hire others to serve us.

Sounds pretty sordid, doesn't it?—pretty disgustingly selfish. But no, it is neither sordid nor selfish in its "healthological" aspects, although it becomes an expression of both in pathological conditions. But I am not going to encourage your professional instinct for the pathological,—not very much for the present anyhow. We must understand the normal before we try to figure out the pathological; and I shouldn't say anything at all about the pathological now, if it were not for your question regarding hospitality and charity as proof of altruism in social service.

Yes, indeed, the myriads of instances of perso-

nal hospitality, and the records of our magnificent charities, do go to prove that men are altruistic. But they do not go to prove that those habitual interchanges of service of which you and I have been talking and which constitute social service in normal as distinguished from pathological conditions—I say that hospitality and charity do not go to prove that these interchanges originate in and depend upon altruistic impulses. Society could not subsist upon charity. Though hospitality and charity were never so altruistic as to their impulses—and that isn't invariable, you know, Doctor, don't you?—yet neither the one nor the other would be the kind of social service that keeps the world a-going.

Oh, I beg of you, don't misunderstand me. I am not assailing either hospitality or charity. True hospitality is wholesome always. This world would be a desert indeed without it. Even of charities I would say only the kindest words. Useful? To be sure charities are useful, just as your medicines are useful—useful in disease. But in a healthy state of the social body, charities would be like poultices on a healthy physical body —a "demned damp disagreeable" impertinence. Whenever your boastful enthusiasm warms up over our magnificent charities, Doctor, you had better cool it off a little with reflections upon what it is that our magnificent charities imply. Don't you see that we shouldn't have any magnificent charities unless we had a whole lot of mighty un-magnificent poverty? We shouldn't provide magnificently for ameliorating the condition of the worthy poor, should we, unless there were hosts of worthy poor whose condition needs amelioration? Our magnificent charities for their relief prove something much less exhilarating than that human nature is altruistic. They prove a deplorable pathological condition of hu-

man society—a condition withal which is not without persistent hints of a possible relation as of effect to cause between worthy poor and unworthy rich. A cynical friend of ours used to say repeatedly—you must have heard him; he borrowed it from a book I reckon—he used to say that "charity is oftentimes a form of self-righteousness which inspires us to give to others a part of what already belongs to them." That is rather extreme, perhaps; but suggestive, Doctor, suggestive. Whenever I hear of the charitable donations of certain classes of rich people in aid of poor people, an old nursery rhyme flutters through my memory, don't you know, in spite of all my efforts to shoo it out. I'll have to give it the right-of-way now, I guess, and get rid of it, or I shant be able to rally my thoughts:

There was once a considerate crocodile,
Which lay on a bank of the river Nile;
He swallowed a fish with a face of woe,
While his tears flowed fast to the stream below:
"I am mourning," said he, "the untimely fate
Of the poor little fish which I just now ate."

Oh, granted! granted! All you say about charity's pulling unfortunates out of quagmires is granted. "Victims" would be a more definite term than "unfortunates," though, and quite as true, don't you think? But never mind that distinction now. Granting what you say in behalf of charities, much of which I approve very cordially, and granting what you say so convincingly of the influence of hospitality in keeping up a brotherly human spirit, to all of which I respond "Amen!" from my heart,—yet I again insist, and you cannot deny, that it is neither hospitality nor charity that keeps normal social service a-going.

"If all men are beggars, from whom shall men beg?" Did you never read that? It's from the "Mendicant," by George Francis Savage Arm-

strong; and he hit the mark plumb in the center when he wrote it. Bear with me again for a moment, Doctor:

Sakya-Muni, Gautama Buddha, what dost thou proffer of hope or of mirth?
"What shall I do to be saved" from the sorrow, passion and terror, and madness of earth?
What is thy gospel, O prophet of India? What hast thou left to me, child of the sun?
What is the balm for my pain thou hast promised me? What is the crown when the race hath been run?

"What shall I do to be saved?" Thou hast answered it: "Labor not forever, but beg for thy bread;
Live as a mendicant; marry not; mortify flesh; let a life of Nirvana be led.
So shalt thou find in the depth of thy passions, growth of thy spirit, composure and rest,
Passing through indolent days of humanity on to intangible joys of the blest."

Sakya-Muni, Gautama Buddha, bending I heed thee, but find in thy law
Something that baffles me, doubtful consistency—lo, in the weft of thy wisdom a flaw—
Look to it, Gautama, Sakya-Muni, sweet is the bulbul, but hollow her egg.
How shall thy gospel suffice for the many? If all men are beggars, from whom shall men beg?

Can't we make Armstrong's wholesome question apply to our little confab? If all men are givers but not getters, what withal shall they give? Ah, it is neither giving alone nor getting alone, but mutuality of giving and getting, that distinguishes normal social life. It is the ceaseless interchanges of individual services of which we have already talked so much, that constitute the life current of social service. And those ceaseless interchanges are generated and maintained, not by charity, which is a pathological symptom, not by hospitality, which is a delightful effect of social service but not the vital cause, not by altruistic impulses of any sort however

noble. They are generated and maintained by the simple, matter-of-fact, work-a-day, self-serving impulse of each individual to satisfy his own desires as easily as possible. We engage in social service habitually because, to recur to the vernacular, we want easy money.

True enough, the money we get in this way may not be such all-fired easy money either; but it buys us more of the things we want, and better ones, than we could get with equal exertion by making them ourselves. The self-serving impulse does indeed lead on to all manner of oppression, from vulgar robbery to respectable graft, from plundering laws to grinding institutions. But this comes from a perverted desire for easy money, springing out of pathological social conditions. In normal social conditions the tendency of the self-serving impulse is toward heights of altruism of which the mere giver can never know.

Don't you remember how Henry George in his Introduction to "Progress and Poverty"—ah, yes, I recall; you've never read "Progress and Poverty." Well, as I've often told you, I envy you the intellectual banquet you have in store. When you read it, do me a favor, won't you? Don't stumble through it as its critics have done, I beg of you, but read it, really and truly read it. Now, in the Introduction to that book you will find that what I have been saying to you on this point is formulated into a fundamental law or axiom of political economy. So far as I know, George was the first political economist to recognize the great importance of this law. He certainly was the first to emphasize it. Yet it is the key to the science of social service. The reason that professional economists touch it so gingerly is, I suspect, because they fear that any thinker who uses it as accurately and fearlessly as George did, would open the same door that he opened; and that would be so

much the worse for folks who live in the sweat of other folks' faces. Here's a copy of "Progress and Poverty" which you may take with you if you wish, but I'll read the paragraph about self service now: "Political economy is not a set of dogmas. It is the explanation of a certain set of facts. It is the science which, in the sequence of certain phenomena, seeks to trace mutual relations and to identify cause and effect, just as the physical sciences seek to do in other sets of phenomena. It lays its foundations upon firm ground. The premises from which it makes its deductions are truths which have the highest sanction; axioms which we all recognize; upon which we safely base the reasoning and actions of every-day life, and which may be reduced to the metaphysical expression of the physical law that motion seeks the line of least resistance—viz., that men seek to gratify their desires with the least exertion."

Not morally right, Doctor, for men to do this! Why, how can you say of anything that it's not morally right, when you are constantly arguing that there is no such thing as right and wrong, but only facts? I guess it's a fact all right, isn't it? I wish I had George's "Science of Political Economy" here, for in that book he deals with his sociological axiom more elaborately. Although the book fell from his hand unfinished at his death, he had so far completed it as to outline the natural foundations of political economy. In many particulars he had finished his work. But in other respects it is left for after hands to do; and one of these days, when political economy—which, by the way, is only another name for the science of social service—shall have emerged from the bewildering maze in which it is floundering now, some of its accredited professors may worthily complete the work that George began.

In this book George explains, what should have

needed no explanation, that his sociological axiom, "men seek to gratify their desires with the least exertion," is not an excuse for selfishness and oppression. It is simply a law of human energy, operative alike with the just and the unjust, the altruistic and the selfish. Precisely as the analogous law of physical energy causes the Mississippi to bend and turn along the line of least physical resistance, whether it ruins a planter by sweeping away his plantation, or accommodates him by floating boats up to his private wharf, so this law of human energy causes men to gratify their individual desires along the line of least individual irksomeness, whether their desires be selfishly to rob their fellows or altruistically to co-operate with them. Why, old Simon D. Sampson doesn't obey this fundamental law of human nature in his sordidly selfish career any more closely than Jane Addams does in her altruistic settlement work. And Edison is a very type of its influence in intensifying co-operation through invention.

Can you think, Doctor, of anything in this Georgian law of social service to controvert? Isn't it too plain for dispute, that whatever our desires may be we seek to gratify them with the least exertion? Isn't it a genuine natural law? What's that you say? Oh, your old notion that there's no such thing as natural law outside the realm of the physical. Well, that depends upon how narrow you make your term "natural." But I am not going to be diverted into any philosophical "rag-chewing." Haven't I made it clear that what I mean by calling George's axiom a natural law is that it describes a characteristic tendency of human nature? Within the sphere of human nature, which your physical scientists have hardly explored but which is easily within the realm of human observation and experience, the Georgian axiom is as universal and invariable, if

our perceptions are of any use to us at all, as the physical law of the line of least resistance or the physical law of gravitation. I don't believe you will deny that.

No instance really out of gear with this law of human dynamics has ever come to my attention, and I reckon I am safe in saying the same for you. Whenever a man's exertion is apparently unnecessary, he is nevertheless as responsive to George's law as if it were necessary. He may be seeking the effort itself instead of something beyond, as when you find him walking laboriously although he might ride easily. Or, he may find that the effort in preparing an easy device outweighs the effort saved by the device, as if he should carry a load of corn in a wagon though it could be so much more easily and swiftly carried by railway if the exertion of building the railway would not exceed the economy of its use for an occasional load of corn. Or, he might go a mile or more up the creek for a ford, and back again on the other side, because the shorter way across would necessitate great preliminary exertion in building a bridge. But the apparent exceptions that most readily mislead are probably those that spring from ignorance of the easiest way of doing a thing, as if we gathered grain with a sickle instead of a reaper; or ignorance of the easiest way coupled with a lively apprehension of the dangers it may involve, as if we go to farming in the year of our Lord 1620 on the rock-bound coast of New England, though empires of rich prairie lie fallow in the distant Mississippi Valley with warlike tribes between. But no such instances discredit the law. The object desired is in each case accomplished in the easiest way, all things considered.

Within the range of our knowledge and the circumstances of our situation, we invariably seek

to gratify our desires with the least effort, the least exertion, at the cost of the least irksomeness to ourselves individually. Whether our desires are straight or crooked, human or brutal, angelic or devilish, social or anti-social, co-operative or disruptive, industrial or recreative, we seek their gratification as the river seeks the sea—along the line of least resistance.

See those boys playing ball over there in Sampson's vacant lot. Old codgers like you and me may think their violent exertion needless—all of it; but that is because we don't want to play ball and they do. Or we may think some of it needless; but that is because we are not in the game and they are. If you suppose they make any needless exertion for the end they seek, ask them, and I think they will tell you that you are mistaken. Should you want a test, fool them into searching in the wrong place for a lost ball and make a note of the compliments you get for your trick.

If we turn from play to crime, still the law holds good. That burglar who got into your house last winter—he might more easily have gone to the roof and come down through the scuttle, but he didn't know that you had left the scuttle unlocked. He could have broken in your door or smashed a window, but that would have made a noise and might have led to his capture, which wasn't one of the desires he was seeking to gratify. What he did, so you told me, was to cut a piece carefully out of one of your windows, put his arm through, release the catch, and then noiselessly raise the sash. It was not in fact the easiest way to get into your house, but it was the easiest way of which he knew to gratify his desire for your watch and spoons and unbanked money.

And, Doctor, don't imagine that the Georgian law in its application to crime relates to physical

obstacles only. It relates also to mental and moral obstacles. Physical force seeks its line of least resistance along the weaker coherences of matter, as when a cartridge is discharged from a rifle. Animal force seeks its line of least resistance along the easier path with reference to mental and bodily effort, as in the case of a brute after prey. But human force seeks its line of least resistance with reference not only to physical obstructions and mental and bodily effort, but also to moral considerations. We can easily see that your burglar would have stayed out of your house if his desire for your loose valuables had been outbalanced by his appreciation of the physical difficulties and dangers of getting them. But isn't it just as probable that he would have stayed out if his desire for the valuables had been outbalanced by mental fear of detection, or moral repugnance to invading your privacy and divesting you of your property? In considering what constitutes the line of resistance to criminal conduct, we must take into account, don't you see? not only the physical difficulties, but also mental and moral sensibilities, and weigh them all in the balance against the object desired. When we have done this, we shall probably suspect that the worst criminals are not in jail, and we may prudently conclude that we wouldn't like to be searched ourselves.

There is that stable boy you had a year or two ago—the one you humiliated by making him wear a uniform which advertised him as your own private property. You discharged him for petty stealing, and you think of him yet as a thief, while you think of his successor as an honest boy. It happens, now, that I know something about both of those boys of which you are ignorant. Never mind how I came to know, but I do know that both wanted to pilfer from you. Or,

rather—and this is the better way of putting it—each of them wanted more money for his work than you paid him. They both felt that they couldn't buy as much service of other people with their wages as they gave to you. Of course, this was a wicked feeling, I admit you that; a contract is a contract, and you always did pay extra wages for extra work. But I am not making a plea for the boys, I am only stating facts.

Well, the first boy didn't want to do extra work for the extra pay. You know yourself he was a bilious sort of boy; we called him lazy, for epithets are cheap. Yet he did want the extra pay. So he shirked the extra work and took the extra pay unbeknownst to you. One factor in this deplorable result was the boy's bodily sluggishness; another was the easy opportunity he had for pilfering; another was a mental haziness corresponding to his bodily sluggishness, which made him think he could "get away with the goods;" and another was defective moral training and a comatose moral sense. In these circumstances his desire for easier money sought gratification in theft instead of honest work.

But the other boy, who is not bilious and we call him industrious—he doesn't steal. It is not because he may not want to. I have reason to believe he does, and that he would if that seemed to him the line of least resistance to easy money as it did to the first boy. His moral sense also is comatose. But don't worry. Your petty cash is as safe with this boy as in the Bank of Montreal. He won't steal small sums. No, nor large ones either in any unlawful way. His opportunity for pilfering from you is just as good as that of the first boy, and so you might say that the physical line of resistance is the same. But you must not forget that the first boy was temperamentally lazy and the second is not, and that

these are considerations in determining the relative line of physical resistance. As to mental resistance, the second boy is bright enough to know that he will get caught, and self-respecting enough —so self-respecting that the sturdy little democrat wouldn't demean himself by wearing your proprietary uniform,—he is self-respecting enough, I say, to have a horror of the possibility of getting into jail. Besides that, his moral training as we call it, has not been so much neglected as the other boy's was. He has been fed at school and Sunday school upon skim-milk morality—"honesty is the best policy," and all that sort of thing, you know, which works well enough superficially, —and you can depend upon him to do nothing in the way of dishonesty which is bad in the way of policy. Under these circumstances, pilfering is not the line of least resistance with this boy, as under the circumstances of the other it was with him; so, whereas the other boy took your extra wages without doing extra work, this boy gives you extra work for your extra wages.

There is great promise in him of a prosperous man—what is called a successful man. He has the right balance for it, including his comatose moral sense. Unless that sense awakens in him, he may rise even to lofty heights in affairs. For he appreciates the sentiment of the old English rhyme—

> A little stealing is a dangerous part;
> But stealing largely is a noble art.
> 'Tis mean to rob a henroost or a hen;
> But stealing millions makes us gentlemen.

A powerful financier, plundering mercilessly but strictly in accordance with the ethical rules of the big business game; a great lawyer upon whom predatory corporations depend to pilot them safely into an easy-money port; a popular ecclesiastic dispensing moral privileges to those who get much

easy money and have it in abundance to give for eleemosynary purposes not interruptive of the game,—all these are possibilities with that boy. But they will slip from him if his moral sense awakens. An awakened moral sense is the worst of all obstacles to getting easy money in any other than the natural way, the way that necessitates the giving of service for service.

But bless me, what have I been doing? Here I am in the very middle of the pathology of social service, and I didn't intend to talk much about that yet. You must pardon me, Doctor; I was drawn into it by the necessity of contrasting the divergent directions of human action under the social service law of the line of least resistance. What I wished to impress upon you was this, that it is in conformity to this same law of human nature which I have distinguished as George's law, that one man gratifies his own wants by preying upon his fellows, while another does it by contributing to their comfort; that one is socially disruptive while another is socially co-operative. Pathological social conditions, rather than individual wickedness, seem to me to be most at fault for the tendency to prey and disrupt, because, as I see it, the natural tendency of mankind under the influence of George's law is not to crime, but to invention.

The same desire to secure the most money with the least effort—which means, of course, the highest degree of gratification with the least work; for money, as you have agreed, is only a certificate of title to the gratifications we crave—this very desire which in pathological social conditions may prompt to theft, or maintain slavery, or foster monopolies, leads naturally as a rule to the invention of labor-saving methods of service. By increasing the aggregate of wealth-producing power—that is to say, by increasing the service-ren-

dering power of each individual through co-operation with others, invention emancipates mankind more and more from the drudgery of satisfying primary bodily needs. And as it does this, there come demands for higher satisfactions, which in turn are made possible by further invention. So the human race develops as a co-operative whole, and we have an expanding civilization in which, while self-service is the continuous impulse, social service is the continuous result.

Did you ever consider how tremendously effective self-service has been in promoting social service, notwithstanding the obstacles that deep-seated pathological conditions actually interpose? In spite of these adverse conditions the desire for self-service has strengthened the tendencies that make for social service much more, relatively, than those that make for its disruption.

Behold the intricate and beneficent co-operation of the social service market to which I called your attention in our first talk. This springs from invention, which springs from co-operation, which springs from the natural desire for self-service, the natural craving for easy money. Consider our railroads, our telegraphs and telephones, our factories and our farm machinery,—oh, what's the use of enumerating? Give your imagination play and you can see that this world has been repeatedly metamorphosed into what a little while before each change would have been thought of as fairy land. Think of it intensely, as it is at this moment, and honestly don't you seem to be in fairy land? Marvelous? Marvelous is no word for it.

You say it is machinery that does it? Yes, so long as men continue to make and to operate the machinery. But back of the machinery is invention; and back of invention is human co-

operation; and back of all is the self-serving impulse. No, not back in point of time, but in point of natural order. The desire to get in the easiest way the service of others,—this is what prompts co-operation, which produces and utilizes invention, which makes the civilization in which we find ourselves today.

The more you think of it, Doctor, and the more critically you test it, the surer you will be that the primary impulse of social service is expressed in the law that "men seek to gratify their desires with the least exertion." It is a sound sociological principle, a true perception of a primary law of human conduct.

Yes, I supposed it was a commonplace to you—this idea that men seek to serve themselves in the easiest way. I wasn't expecting to startle you with news. What I have been trying to do is to get you to think about what you already know. I want you to give a little vitality to your commonplaces. What difference does it make how commonplace this bit of psychology is to you if it doesn't affect your thinking?

And what a wonderful commonplace it is, isn't it? It is all a-thrill with vitality, and big with meaning. It explains the interchanges of individual services which constitute social service; and if you give it half a show, Doctor, it will explain the baffling problem of our time—the problem of why it is that those who render the most service to others get the least service in return.

Don't believe there is such a problem? Well, we'll talk about that at another time; it's pathological. Of course you believe it was so in the past, and you see the reason for it then. Under despotic institutions those who gave much service for little were forced to it; and those who got much service for little or none, were privileged by the despot to do so. Arbitrary power is the explanation

there. But in a country like ours, where there is no despotism, how shall we account for a similar unbalanced state of the interchanges of services—for surely you will admit that there isn't exactly a square deal in the matter,—how shall we account for it, I ask, in these free conditions of ours?

The key to the problem is the law of human nature we have been talking about, and I will try to help you out with it some time if you don't discover the solution for yourself. Meanwhile let's go on with our talk on the normal or "healthological" effects of that law of human nature in causing co-operation.

No, Doctor, I mean something entirely different from what is in your mind. We have had co-operative societies galore, and I have no quarrel with this narrow use of the word. If a lot of people who organize a partnership want to call it a co-operative society, and to speak largely and vaguely about it as "co-operation," why let them do so, of course. I haven't any copyright on the word "co-operation," nor on any definition of it. But I guess I've as good a right to use the word to indicate this universal and spontaneous partnership in which the whole civilized world is engaged, as a coterie of dilettante reformers have to monopolize it for such uses as small partnerships in the cracker bakery or grocery store line. So, mind you, when I say "co-operation" I don't allude to profit-sharing experiments, but to the great system of social service which springs naturally and universally from individual desires for easy self-service—that comprehensive partnership of humanity in which all of us, except as we prey upon it, are necessarily and naturally partners.

Imagination will hardly let us think of a time when in some form however crude and to some

extent however slight, this co-operation had no existence; that is to say, when there was no specialization, for specialization is indispensable to co-operation. You often speak of specializing, Doctor, but I suspect that you seldom if ever think of the thing except as a tendency in your own profession. Isn't it true that when you use the word, your thought centers upon the custom among physicians of devoting themselves to this or that pathological specialty? or, at the widest, of students taking up particular branches of scientific inquiry? I thought so. But in the science of social service those are only some of the directions of specialization. The term itself is vastly more comprehensive. A ditch digger or a street sweeper, you must know, is a specialist as truly as a surgeon or a botanist. Specialization is only another term for what business men call "division of labor."

This term of the business man—and political economists have adopted it—is not very indicative, not very accurate. It doesn't quite express what is involved in co-operative specialization; for this implies not only a sort of division of service but also a combination of service. By combination of service, we unite our respective specialties so as to produce and use those gigantic structures that defy our powers as individuals. Think of the co-operative union of specialized knowledge and effort necessary to construct an ocean greyhound or a thirty story building, a railroad, a farmer's barn, or even a modest cottage. But by division of service we separate our respective specialties, so as to accomplish results equally gigantic in the aggregate but minute in their separable units, as when the letter carrier, the peddler or the storekeeper gathers and carries for us. We unite in order to do one big thing which none of us could do alone; we separate, as it were, in

order to do many little things which it would be wasteful of time and energy for each to do for himself. In the one case we turn ourselves into a sort of social "giant;" in the other we each divide ourselves into many social "pigmies." But don't fail to observe that in both cases we co-operate for the gratification of our individual desires. Whether many of us combine in order to make or move an object of magnitude, or separate in order to make or carry small objects in abundance, we act in obedience to our respective impulses to satisfy our own wants in the easiest way. Serving one another in order to serve ourselves the easier, we generate that co-operation which in the broadest, truest, and only enduring sense is social service.

Don't you see it? Think a bit. When you and I were camping one Summer, we wanted to mail letters home at the post office two miles east of our camp. You recall it, don't you? We also wanted some of that live-bait from Spencer's brook two miles west. At first we intended, you know, to walk together to the post office and then to Spencer's. The companionship would have been agreeable, and if there had been no other consideration that is doubtless what we should have done. But we had a special reason, don't you remember, one not worth recalling now, for wanting to do both of those errands in the shortest time and with the least bodily exertion. So we agreed to dispense for a spell with our mutually agreeable companionship in order to accomplish what for the hour we both regarded as more desirable. Each of us divided his labor "pigmy" fashion. I went to the post office with your letters as well as my own, for two sets of letters didn't burden me any more than one. So I became, don't you see, like two pigmy servants—one for you and one for me. On the other hand you brought my live-bait as well as

yours from Spencer's, for the two little pails were as easy to carry as one would have been; at least you said so, and I saw no reason to object, being a little rheumaticky in one arm. So you also became like two pigmy servants, one for me and one for you. What was the result? Don't you see now how it illustrates the effectiveness of division of effort in social service? Why, I walked only four miles to and from the post office—two miles each way,—and you walked only the same distance to and from Spencer's brook, and we were gone from camp only an hour and a half; but the letters of both were mailed, and the live-bait for both was got, just as satisfactorily, weren't they? —as if each of us had mailed his own letters and got his own bait at a total expenditure in time of three hours instead of one-and-a-half, and in walking of eight miles each instead of four. We accomplished these economies of time and energy by specializing.

The only difference between this incident and the steady flow of business energy in the social service market of the great big world, is that you and I were bent on pleasure, and but for the special reason I have alluded to, might have preferred to take more time and to walk farther for the sake of companionship. But when men are engaged in business instead of pleasure—that is, when they are bent on getting social service for themselves, or what will amount to the same thing in the end, are bent on "making money," as they call it,—the element of choice companionship drops out. They do small services in this way habitually, such services as one person can do in considerable number at once as easily as one at a time.

Of course the resulting economy is vastly greater than in our post office and live-bait experience, although the principle is the same. Certainly you

must realize that the economy of time and energy would be much more than doubled when hundreds of thousands divide their labor in the way that you and I did. Even in our camp, if there had been half a dozen of us I could as easily have mailed all our letters, and you could as easily—not quite, perhaps, but pretty near—have brought live-bait for us all; and that would have left the other four free to spend the hour-and-a-half of our absence in getting dinner for us all. Our effectiveness in that case would have been multiplied six times instead of two times. For if each of six of us had mailed his own letters and got his own live-bait, the time expended would have been three hours each, or eighteen for the six, and the walking done would have been eight miles each, or forty-eight in all. But by division, two of us would have done it all just as well with an aggregate expenditure of only three hours in time, or one-and-a-half each, and eight miles in walking, or four miles each.

Reflect upon this a little and you will get a glimpse of the effectiveness of co-operative service in economizing time and energy in business pursuits, and thereby creating abundance for all concerned. Don't you see clearly now how this co-operation, these habitual interchanges of services, this social service market as it were,—don't you see how its marvelous effectiveness may account for the vast gulf that lies between savagery, where co-operation is simple and within narrow bounds, and civilization, where it is complex and world-wide? Geometrical progression isn't in it with economic co-operation for producing marvelous results.

Yes, the idea of community of goods does arise when we think of the intricacy of co-operation. It seems as though everybody engaged in productive co-operation must share in the results of the

common effort, if justice be done. And so they must, so they must. But not arbitrarily. The same natural laws that enhance individual powers when co-operatively expended, provide for augmenting individual incomes in proportion to the expenditure of individual effort. An "equal divide" is not natural, and is by no means necessary. But more of this after a while. For the present let's consider co-operation by combining individual efforts instead of dividing them—by becoming parts of a social service "giant," instead of turning ourselves individually into many social service "pigmies."

Didn't you and I illustrate the "giant" method pretty well when we first went camping and wanted a comfortable camping cabin instead of putting up with a little shelter tent? I could have made a kind of cabin, and so could you; but neither of us unaided could have made as good a one as we did make. To speak of nothing else, didn't we have to use logs that neither of us alone could have handled? But by uniting our strength, by making of ourselves a social service "giant" whose power was more than double the solitary power of either of us, we managed to produce a result otherwise impossible to us.

In this case we shared the result as communists, using in common the one cabin of our co-operative making. But that sort of thing isn't necessary. Such results can be shared individually with equal if not more perfect justice whenever the co-operators desire it. You know what Perry Lawson and Silas Wilson did on the other lake last Summer. They couldn't share a cabin in common as you and I did, for they had their wives with them. But they combined their building energies just as you and I did. Of course they had to work about twice as long, for they had to have two cabins instead of one; but don't forget as we go

on that if their work was doubled so was the result. They had twice as many cabins as we had. Now, how were they to enjoy the benefit of each other's work in building those cabins—how without communism?

Why, Doctor, you know that Lawson and Wilson don't know what communism is. They have never heard of it except as a verbal brickbat for pelting reformers with indiscriminately. They didn't try to avoid it, for they never thought of it. But they did avoid it. They avoided it unconsciously. In the most natural way, each of them got the benefit individually and fairly of their co-operative work which had produced two cabins, both alike and each better and bigger than either Lawson or Wilson could have built alone. What they did was to swap cabins.

Lawson said: "Here, Silas, give me your undivided half interest in one of those cabins, and I'll give you my undivided half interest in the other." "That's all right, Perry," said Silas. So there they were, each with a cabin he couldn't have built alone, yet each as justly and truly the individual owner of that cabin as if he alone had built it.

You may not have noticed it in the case of our own experience in swapping letter-carrying service for live-bait service, but the principle was the same as in the case of the Lawson and Wilson cabins. I carried your letters as compensation for your bringing my live-bait, and when it was all over, that live-bait was just as fairly my individual property as if I had got it myself and you had carried your own letters.

Now, just this sort of thing is taking place all the time in the business world, only on a vastly larger scale, more systematically and with prodigious complexity. And here is where money and the terms of money come in. When you and I

exchanged bait-carrying for letter-carrying, we didn't need money. That is because our swap was in so narrow a compass and so extremely simple and complete in itself. The same thing was true of Lawson and Wilson in their cabin swap. But when the swapping is so intricate that no one person's service fairly offsets another's, and so many persons are involved that but few of them know each other, a mode of measurement and a language of measurement become necessary. Yet this only makes a difference in form and not in essence.

Something that Perry Lawson did with his cabin the other day illustrates it. I guess you don't know that Lawson has sold his cabin? Well, he has, and this is the way of it. He had told Wilson that a long absence from the country would prevent his camping for several years. "I'm sorry, Perry," said Wilson, "but as you can't be with us I wish you would sell your cabin to me, so that I can sell it to some agreeable fellow." The generous thing for Lawson would have been, I suppose, to give his cabin to Mrs. Wilson; but if he had done that my illustration would have been spoiled, and for a fact he did sell it to his friend Silas. But Silas hadn't anything to offer in pay in the way of his own service which Perry wanted, so they fixed a price in money. It was satisfactory to both—ten dollars, I think it was—and Wilson paid it.

Now what does that mean? Why, simply that Silas Wilson gave to Perry Lawson a token whereby he can get anybody's service, anywhere, whenever he wants to, and in any quantity and variety he pleases, up to ten dollars' worth; and that Silas Wilson has either given his own service to one or more persons to the same value, or will do so, or else that he will, somehow or other, legally or illegally, reputably or disreputably,

screw some other person or persons out of their service to that value.

Multiply that transaction, then, by millions, and divide it intricately into all sorts of fractional parts, and you will have an indication of what is going on all the time in the business world. Partly by means of the actual use of money tokens, but chiefly by means of book accounts, and of checks, drafts and notes, individual titles to shares in social services are being transferred from one of us to another all over the world, in principle precisely the same as Lawson transferred to Wilson the title to his cabin.

It is this transferrence of title to social service that makes co-operation possible. Moved by his own desires for the most service with the least effort, each individual voluntarily exerts his own energy to aid in satisfying in some degree the desires of others. In exchange for what he does he receives money, or credit in terms of money, which puts him in position to gratify the desires that moved him. He works at his own specialty, doing over and over again the same thing, for whom he knows not, a thing as useless in itself it may be as a shoe sole or a shirt button; and through a myriad exchanges accomplished by means of money or in the language of money, some of the service that he renders comes in some form to you or me, let us say, in exchange for some service that we render. Our individual services, yours or mine, may never reach him at all, though his reach you or me; but somebody else's will reach him, in exchange for yours or mine, if things work out normally—that is if there is nothing pathological in our social conditions,—and directly and indirectly, somewhere and somehow in the labyrinths of the social service market, my services or yours will square accounts with his.

In the grand round-up of social service every fellow in the world who pays his way, squares accounts in services of his own with every other fellow whose services he enjoys. Farmers work to supply the social service market with grain, millers with flour, bakers with bread; and each is helped by the work of railroad men, of storekeepers, of truckmen, of coal miners, of machinists, of builders, and so on,—an interminable catalogue. They are all making bread. Then, again, a vast variety of workers in like manner supply the social service market with clothing, and another with dwellings, while others work professionally or otherwise in rendering direct service without making commodities—such as doctors, lawyers, teachers, actors, household servants and clergymen. Each person works at one kind of employment in which he acquires special skill, or it may be in only one department or subdivision of employment. He may repeatedly make only the smallest part of a complete thing, such as a shoe-sole. But be his particular work what it may be, he trades it—possibly through a bewildering maze of exchanges which his mind does not and cannot follow—for the work of other social servitors.

One man, for instance, makes shoe-soles, nothing but shoe-soles, from week's end to week's end, thereby helping to satisfy individual desires for shoes. He does it on condition that somehow and some way, other social servitors shall satisfy his desire for food and clothing and shelter and luxuries and so on, including shoes. At pay day he says to his boss: "Here, give me the money you agreed upon, and I relinquish my undivided interest in those shoe-soles to you." Getting the money, this maker of shoe-soles may pay an installment on a suit of clothes, or a house, or machinery of some kind; or he may buy in whole or part something else that he couldn't possibly have

made himself. Yet the thing he buys with that money is as truly his as if he had made it himself. All the original makers have sold their undivided interests in it for other services, until the complete title comes to our shoe-sole maker in exchange for his work at cutting shoe-soles. The transaction is precisely like the Lawson and Wilson affair.

What is that you say? The sole-maker doesn't get as much money as he ought to get, can't buy as much clothing or house or machine as he has earned at making shoe-soles? That may be so, and I guess it is; anyhow I won't dispute you. But if it is so, the reason is that there is something wrong in the social service market—something that prevents its working normally; and that is a consideration that belongs to the pathology of the subject. But if the social service market is not deranged, that sole-maker will get what his work is worth. He wouldn't sell his interest in the soles for less than it was worth if there were no coercion and he were free to swap or not, as every one must be when the social service market is normal.

What I want to get at now, however, is the fact that the clothing, the machine, the house or what not which the sole-maker buys with the money he gets for shoe-soles, is just as truly his own clothing, house or machine, or what you will, as if he had done the impossible thing of making it from start to finish all by himself. It is just as truly his own as that live-bait you fetched for me in consideration of my carrying those letters for you, was my live-bait; just as truly his own as those two cabins which Lawson and Wilson made were Wilson's and Lawson's individual property respectively, after each had swapped his undivided interest in one for his companion's undivided interest in the other.

Individual distribution of results, fairly in proportion to service, is part of the process of co-operation—a necessary part,—of the co-operation, I mean, that constitutes human society. This co-operation has the two modes I have illustrated—"pigmy" co-operation through the doing by the individual of many things within his own powers, and "giant" co-operation through contributions by him to the doing of things beyond his own powers. Although distinguishable in principle, these two modes merge in practice on a large scale. The "pigmy" mode then utilizes the "giant" mode, as, for instance, letter-carriers utilize the railroad and the steamship. Without these modes of co-operation we should not be able with all our numbers to do more than a naked savage solitary upon an island could do. But with them, the power of each individual is incalculably multiplied, his knowledge extended, his wants increased, his ideals exalted. Thus is civilized society, fraternal and altruistic society, maintained and promoted. But don't forget that co-operation requires for its perfect work in this respect, a fair distribution of results among individuals in proportion to individual service.

"Society in its most highly developed form is an elaboration of society in its rudest beginnings." That is what George says, and don't you see he is right? If he seems to be mistaken, it is only, as he says, "that principles obvious in the simplest relations of men are merely disguised and not abrogated or severed by the more intimate relations that result from the division of labor and the use of complex tools and methods." Don't you see with him that "the steam grist mill, with its complicated machinery exhibiting every diversity of motion, is simply what the rude stone mortar dug up from an ancient river bed was in its day—an instrument for grinding corn;" and that "every

man engaged in it, whether tossing wood into the furnace, running the engine, dressing stones, printing labels or keeping books, is really devoting his labor to the same purpose that the prehistoric savage did when he used his mortar—the preparation of grain for human food"? And isn't it as true of the mechanics who make the machinery, of the miners and lumbermen who produce the material for the machinery, of the miners and lumbermen who produce the material with which the machinery for making that machinery is made, and of the mechanics who make it, and of all the transporters and storekeepers and bookkeepers and engineers and draftsmen and other workers? Aren't they all co-operating to turn the farmer's grain into flour for the baker's oven? —aren't they all co-operating to make bread? And isn't each doing his part of this co-operation for the purpose of securing the satisfaction of his own desires in the easiest way?

What other motive could there be? What conceivable motive but this would keep armies of men at work in the exchanging of social service every day and all through life? With the money each gets for his work—tokens of the value of the work he has done—he buys the things he wants, the things he really worked for. To the extent that he buys bread, it was for bread that he worked. To the extent that he buys other things, it was for them that he worked. His motive doesn't differ essentially from that of his ancestors who dug clams for themselves on the shores of the sea.

But through combination and division of effort, which enormously multiply human power, not alone by the economies of time and energy that result immediately, but also from the labor-saving machinery and methods which co-operation increasingly demands and human inventiveness increasingly supplies, the self-serving motive of the

primitive clam-digger has developed an intricate labyrinth of self-serving motives which vitalize the world of social service and give us civilization. Human society is in truth a complex social-service mart. Here we trade services with one another by means of money or in the terms of money. Through this trading, productive power is multiplied, and knowledge and skill are acquired, and thereby each person, with no more exertion than would yield the savage a coarse meal, may enjoy the comforts of civilized life.

But don't forget, my dear Doctor, that the social service mart is no arbitrary or prearranged device. Society doesn't artificially organize co-operation; on the contrary, this co-operative force naturally organizes society. It makes society like an organism. Consequently society is a natural evolution.

The desire to economize effort being natural to individual men, the economizing instinct of trade is also natural to them, and this is to society what the life principle is to the individual. It endows society with its character of an organic combination, instead of leaving it a loose aggregation of individual units. It is something that develops society, not through conscious organization but by unconscious growth. To eradicate it from human nature, if that were possible, would be to destroy society; and in analogy with all other kinds of organic growth, to interfere with its full expression is to generate social disease. But to protect it from conditions inimical to its normal processes, to guard exchanges of social service from obstruction and diversion, is to clear the way for society to attain almost to supernal heights of civilization.

Do you understand now what I meant by insisting that individual desires to get the most service with the least effort—the universal desire

for easy money—promotes civilization? I noticed that you shook your head when I said it. But isn't it true? Normally, I mean; normally. Not pathologically, of course. I have to recur often to the pathology of the subject because we are so prone to confuse pathological with normal conditions in our thinking, forgetting that it is health and not disease that is natural.

In diseased conditions of the social organism, the desire to get the most service with the least effort, has for its correlative the desire to make others get along with the least service for the most effort. It is one thing for us to get most service for least service, and a very different thing to get most service with least effort.

Note the difference. The criminal, and the grafter whether criminal or not—they seek the most service from others for the least service to others. In their case the self-serving impulse is unsocial. It tends to disrupt co-operation. But—well, take the inventor for an illustration,—his moving desire is to discover ways of obtaining the most service with the least effort. That is social, that is co-operative. If the self-serving impulses lead, without personal criminality, to the actual extortion of much service for little or no service, we are apprised of pathological social symptoms. Perhaps we shall catch glimpses of something of the sort if we conclude to talk about the mechanism of business. But to the extent that the self-serving impulse leads to the utilization of methods for enabling all to get more social service for less individual effort—of enabling all, mind you,—to that extent we are in the stream of progress through the development of natural co-operation.

CHAPTER V.

Demand and Supply.

You contracted your brows a little, Doctor, when I said that individuals virtually make the things they buy with the money they earn. But really nothing could be truer, I do assure you. Let people stop buying some commodity, any artificial commodity you can think of, I don't care what, from pins to poignards, and woudn't that commodity disappear from the face of the earth? So much of it as had been made in expectation of purchases, would linger awhile no doubt, but its reproduction would stop almost upon the instant. Who causes it to exist, then, but those who demand it and give service in exchange for it?

Take our shoe-sole maker, for instance, he of whom we spoke a few days ago. Suppose he spends the money he gets for making shoe soles in buying a coat, hasn't he virtually caused coats to be made? Think of it a moment; analyze the circumstances. He has made shoe soles that he doesn't want and wouldn't make for himself, but which other folks do want and for which they give money to his employer, who gives some of it to him; and he spends this money for a coat which a lot of folks within the circles of social service have made although they didn't want it and wouldn't have made it if they hadn't expected to sell it. They may not know him nor he them. They may have in mind no particular user of that particular coat when they make it, any more than

he has in mind a particular shoe wearer when he makes a particular shoe sole. But just as he makes shoe soles because there is a general demand for shoes, so they make coats because there is a general demand for coats. And isn't he, as the buyer of one coat, a factor in that general demand for coats? Surely it is the sole maker who really employs coat makers to the extent of one coat, just as it is shoe wearers who really employ sole makers. But for the demand of sole makers for coats there would be fewer coats; but for the demand of coat makers for shoes there would be fewer shoes; but for general demand for things in general, whatever you will, there would be fewer of those things. In reality every one who does what others want done is employing others to do what he wants done. And so it goes all through the confusing mazes of that co-operative concern which we distinguish as the social service market.

You have often heard business men compliment themselves upon "giving work." But if there is any credit coming to persons who "give work," it doesn't belong to employers. They are only co-operators with their help. The persons who give work both to an employer and to his hands, are the consumers of his goods. If they stopped consuming to-day, your benevolent employer would have to stop "giving work" to-morrow. It is their desire for consumption that causes their demand, and their demand that sets in motion and keeps in motion the processes of supply.

Don't you catch on to the principle of the thing? Each of us makes what he can make the better, in order to get money for it with which to buy what he wants the more. We specialize, not because we want all the products of our own specialty, nor indeed more than a very small part; but because we wish to put into the social serv-

ice market our products that we don't want, in exchange for the products of other specialists which we do want. Don't you see, then, that what we are really doing, when you consider the great round-up of exchanges, is hiring one another?

Well, if we hire one another, don't we virtually make the products of other specialists which we buy, and don't they virtually make our products which they buy? Wasn't our old printer friend—"Bill" McCabe as we used to call him,—wasn't he right when he was building that little house of his away back in the '80s, and you and I advised him to dig the cellar himself, wasn't he right when he replied that he could dig that cellar easier with a printer's composing stick than with a pick and shovel? We didn't understand him until he explained that he meant to earn money with his composing stick as a printer, a kind of work he was skilled in, and then to hire with that money men skilled with pick and shovel to dig him his cellar. Of course he could dig it that way easier, and that is why he did it so; and of course he virtually dug it himself by selling the type-setting and buying the cellar-digging. Didn't you virtually carry your own letters and I my own live-bait, that time in the mountains? It's the same thing.

Business men look at it that way anyhow. When they pay wages for the products of a specialist they employ—our friend the shoe-sole maker, for instance,—don't they say, Our house made those products? By "our house" they mean themselves as "employers of labor." And as between themselves and their workmen they are right, for workmen do produce in response to the demands of their employers. But as between themselves and their workmen on one side, and the consumers of the products on the other, the products are made in response to the demands of the con-

sumers. It is the consumers, therefore, who, in the last analysis, make the products, in the business man's sense of causing them to be made—provided, of course, that the consumers earn the money with which they buy them. If they don't earn the money, then they don't make the products that they demand, for they give no service in exchange for them. Though they cause the products they buy to be made, it is only as a slave-owner or a confidence man may do so, unless they make what they buy with.

Why, now I recall it, we have a lawyer's maxim which is right in point. "Qui facit per alium facit per se"—he who acts through another acts through himself. Would it be too loose an interpretation of that maxim to say that what one does by another he does himself? This is a wholesome legal rule, as sound as a nut, and I take it to be as sound in the science of social service as in the law. Every legitimate exchange of service is a case of reciprocal hiring; and each social servitor, by inducing others to produce the things that he demands in exchange for what he produces, himself produces in effect what he demands.

The importance of the principle will reveal itself to you, Doctor, if you bring it to bear upon such pathological aspects of social service as the conjunction of unsatisfied wants and slack employment. But don't let me side-track myself. Before passing on from the principle that the working consumer virtually produces the things he demands for consumption, I want to call your attention to an eloquent illustration that Henry George made of the same principle. When I first read it in "Progress and Poverty" the thought and the diction made such an impression on me that I have never forgotten the passage. Listen: "The draftsman who, shut up in some dingy office on the banks of the Thames, is drawing the

plans for a great marine engine, is in reality devoting his labor to the production of bread and meat as truly as though he were garnering the grain in California or swinging a lariat on a La Plata pampa; as truly making his own clothing as though he were shearing sheep in Australia or weaving cloth in Paisley, and just as effectively producing the claret he drinks at dinner as though he gathered the grapes on the banks of the Garonne. The miner who, two thousand feet underground in the heart of the Comstock is digging out silver ore, is, in effect, by virtue of a thousand exchanges, harvesting crops in villages five thousand feet nearer the earth's center; chasing the whale through arctic icefields; plucking tobacco leaves in Virginia; picking coffee berries in Honduras; cutting sugar cane on the Hawaiian Islands; gathering cotton in Georgia or weaving it in Manchester or Lowell; making quaint wooden toys for his children in the Hartz Mountains; or plucking amid the green and gold of Los Angeles orchards the oranges which, when his shift is relieved, he will take home to his sick wife."

You won't be so literal, I take it, as to construe that passage into an absurd assertion that a Rocky Mountain miner raises oranges for his sick wife by directly availing himself of the physical laws of orange culture. Those laws he leaves to the orange specialists. The law of orange culture that he does avail himself of, whether consciously or not, is the great psychological law of social service which I have already alluded to,—that demand regulates supply. Finding that there is a demand for silver ore, the miner supplies silver ore by digging it; and getting money for this work, he spends the money for oranges, an act which, in conjunction with millions like it, yesterday, to-day, and probably to-morrow—past,

present and future,—goes to make up an aggregate demand for oranges to which the orange specialist responds as the miner did to the aggregate demand for silver ore.

This is the law of supply and demand. It is what holds the social service market in equilibrium. We may state it in various forms, one of which, the form that Henry George prescribed, is like this: "The demand for consumption determines the direction in which labor will be expended in production.* But we can shorten that form by saying that demand determines supply; or, and probably this is the better form for our present purpose, that the demand for social service determines the direction of individual services. In the language of money, the law might be translated into this formula: The expenditure of money in purchasing products for consumption, determines the expenditure of money in purchasing services for production.

With all due deference, Doctor, to your distaste for the absolute, I am obliged to say that this is a natural law, a law of human nature as invariable, taking human nature in the mass, as the most rigid physical law that you find it necessary to yield your empirical prejudices to. The character and volume of the demand for social service persistently tend to determine the character and volume of the supply of individual services. If not obstructed, this tendency will produce a constant equilibrium of demand and supply. There is plenty of proof for this conclusion, and there is no escape from it.

Isn't the principle perfectly obvious in the case of a solitary man who has to supply the satisfactions for his own demands directly with his own services—a man who has no fellows to

*"Progress and Poverty," page 75, Library edition.

co-operate with, and consequently no use for money? Look at Robinson Crusoe, for example. Within his powers he supplied himself with service in response to his demand for service, and only so. If Defoe had made him any other way, every boy that reads the story would cry out against it. Demanding goat's flesh, he caught and killed goats. Demanding corn, he cultivated corn. Demanding shelter, he fixed his cave and built his hut. Even upon goods he found in stranded ships, he was obliged to render service to himself in the direction of his demand for service, by preparing places for safe-keeping and in fetching the goods there. Nothing came to him without his labor. And wasn't the labor he expended in any direction, turned in that direction by his desire for what labor so exerted would produce to him? Clearly it was Robinson Crusoe's demand for service that determined his labor in supplying service.

Well, now, Crusoe is a type of society. For society, taken as a whole, is but a larger man living upon a larger island in space as Crusoe lived upon his little island in the sea. The principle of supply and demand may not be so clear in the larger man of our planet whom we call Human Society, as with Crusoe in his solitary condition, since individuals do not themselves perform the identical services which they desire for themselves. But it is operative all the same. One man supplies a great deal of one kind of service, while he demands in return a little of almost every kind. You see that, Doctor? But why does he supply any particular kind of service? why not some other kind? Isn't it because he thinks there is a demand for the kind he supplies, which will enable him to swap it for the kinds he demands?

If hat makers demand shoes, coats and food;

and shoemakers demand hats, coats and food; and tailors demand hats, shoes and food; and food makers demand hats, shoes and coats—each co-operator in each of these industrial classes will respond to the demands of all the others. As may be the demand among them for service in the concrete form of hats, shoes, coats and food, so will their labor respectively be expended. And if demand for one of these objects should rise or fall relatively to demand for the others, more or less of their labor, as the case may be, will turn to the production of that object.

Don't you remember how Abe Remer, when we were boys together, used to do carpenter work out our way part of the year, and work at laying stone or other odds and ends of service at other times? A carpenter by trade, why did he stop carpentering now and then, to work at other jobs? Because carpenter work fell off at some seasons of the year, and other jobs were more profitable. The demand for service regulated the supply of service in his case sure enough. And it is so in general. Should demand for any kind of service wholly cease, men would discontinue its supply altogether. This effect may be observed whenever a class of goods goes out of fashion. Should such goods come again into fashion, demand for them would be renewed, and with the reappearance of demand specialists would once more produce them.

Regarding industrial society as a unit, or larger man, the operation of the law of service in social conditions is no less indisputable than in such solitary conditions as those of Crusoe. The various service-rendering parts of society—specialists in their several departments,—like the various parts of his physical body in the case of a solitary producer like Crusoe, respond to the demands of all. The multifarious demands of society as a

whole determine the character and degree of activity for each department of service, and thus for each individual, much as Robinson Crusoe's demand for baskets imposed greater activity upon his arms and less upon his legs, and as his demand for goat's flesh imposed greater activity upon his legs and less upon his arms. And inasmuch as individuals pass readily from one department of service to any one of several kindred departments—as a doctor might become a nurse if the demand for doctors fell off and that for nurses increased, or a nurse might make a pretty fair doctor in an emergency if conditions were reversed—any increase of activity in either tends to draw service to that department and away from departments in which activity has slackened.

Although the identical individual who leaves a specialized service for which demand has declined or ceased, may not turn to the identical specialty in which it has risen, he turns to a place for service somewhere between the point of decline and the point of rise. Every individual who does come into the more active department leaves a vacancy in another, which may be filled from still another, and that from another, and so on all the way down the line. Social service flows as water does. Though the water drawn from a reservoir is not the same water that thereupon flows into the reservoir, the outflow at the one point makes room for inflow at the other; and while each particle of water may move but slightly, the whole body of water is readjusted. So with social service. Though each specialist but slightly changes his specialty when demand alters, the whole body of social service is readjusted in harmony with the alteration of demand.

Have I been confusing social service with commodities? Probably I have. But I thought we had come to an understanding on that score.

There is really no difference, you know, except in external form, between social service and such artificial commodities as houses, machinery, clothing, food, and the other concrete products of human exertion. If I give you legal advice, I am serving you; and if you mend my mashed thumb you are serving me. So the waiters at Joseph's restaurant who bring us our food when we go there, and the cook who cooks it, are serving us. These are intangible services. But the table furniture and the foods, those commodities of the restaurant, and the building itself with the kitchen utensils,—these things also are services. They are concrete products of somebody's labor for us—of many somebodies back of the waiter, back of the cook, and back and back in many directions, through the social service market.

You understand me, of course, when I say "labor." I don't mean merely one class of labor, as the newspapers do. I mean all serviceable activities. Also their respective abilities; for I can't refine things down to the point that Mallock does of distinguishing between an ability and an activity—not if the ability is worth a copper.

Neither will you understand, I hope, that by products I mean creations. Man cannot create. He cannot add an atom to the universe. But he can so modify the conditions of matter, both as to form and place, as to adapt it in its altered condition and different place to the function of directly or indirectly gratifying human desires. To do this is to produce artificial commodities. Production implies the adaptation of means to ends, by changing either the shape or the place of matter, or both, from natural to artificial conditions, in order to gratify human wants.

Specialists at farming bring forth wheat from the soil. This is an example of production by the alteration of matter as to shape. But as men

produce wheat, not because wheat is in itself an object of human desire—for it isn't, you know,—but because it is necessary material for producing things that in themselves are objects of human desire, the production of wheat is only a step in the process of producing something else. Other steps remain to be taken.

If bread be the ultimate object, then wheat is to that extent unfinished bread. In order that flour may be obtained from it, which would also be unfinished bread, the wheat is carried to a mill. This is an example of alteration of matter as to place. By so changing the location of the wheat as to bring it nearer to its destination as finished bread, its condition is improved as a concrete social service, as an artificial commodity, —as "wealth," to fall back upon the term of the political economists. Inasmuch, then, as additional wealth consists not merely in increase of quantity, but also in improvement of quality, the supply of wealth is thereby augmented. Wouldn't you say that a hundred bushels of good wheat is more wealth than a hundred bushels of poor wheat? Not more wheat, but more wealth—more capability of giving satisfaction, more serviceableness? Very well, in the same sense a hundred bushels of wheat at the Minneapolis mills is more wealth than the same wheat out on a Minnesota prairie—not more wheat, mind you, but more wealth.

The wheat having been transported to the mill, it is there ground under the supervision of millers, who are social servitors just like Joseph's waiters, only farther back in the process, and with machinery produced by an army of other social servitors like themselves but in different specialties. The resulting flour is another change in shape, which augments the amount of wealth. It destroys the wheat as wheat, but it increases the

wealth, the social serviceableness of the embodied individual services. Then the flour is transported to bakeries, which increases it as wealth by bringing it nearer to the consumers, whoever they may prove to be. At the bakeries, bread is produced from the flour—another increase of wealth by change of shape. Then the bread goes to the hotels and houses and restaurants—another increase of wealth by change of place,—and some of it comes to Joseph's perhaps, where you and I may consume a slice or two of one of the loaves.

Each of these changes is a step in the process of altering natural objects for the gratification of man's desire for the artificial object bread. It is a step in the process of adapting means to ends for the satisfaction of human desire. And the changes of place are no less important than the changes of shape. Taken all together, and with the like production of tools, machinery, buildings, trained animals, ships, cars, and other conveniences for bringing bread from the soil to the consumer, and all the cognate commercial processes, they constitute the complete operation of producing one species of wealth—one concrete form of social service.

All wealth production consists in similar alterations of the shape and place of matter, so as to change it from the natural condition in which we find it, to the varied artificial conditions in which we need it to serve in the satisfaction of our wants. Each variety of food as well as bread, of clothing as well as food, of shelter as well as both, every artificial implement, structure and conveyance, whether little and simple or great and complex, which is used in the production of any or every kind of consumable wealth,—in a word, whatever man fashions for the gratification of man's desires, whether indirectly, as productive buildings or machinery, or directly, as consum-

able goods, consists simply in objects altered in shape and place by those human activities which we are considering as social service.

And every social servitor under whose manipulation or through whose custody any of these things pass in the process of adapting them to the wants of the consumer as to shape or place, assists in their production by adding to their serviceability. The retail storekeeper and his assistants, from errand boy to cashier; the wholesaler and his assistants, from truckman to credit man; the manufacturer and all his workmen; the farmer and his hired help; the mine operator and his gangs of miners; those who work upon railroads and those who man ships; the banks which keep tab upon exchanges as a sort of common bookkeepers, and which as brokers distribute credit from lenders to borrowers; the "drummer" who increases the general economy by going to buyers who but for him would be obliged whenever in want of goods to go to commercial centers, and the buyers who, when it is more economical all things considered, do travel to commercial centers—in brief, every person who facilitates the shaping of any artificial and serviceable object, or its delivery to consumers in the form and place required by them, is a producer of wealth in the social service market.

Need I remind you again that the final object of it all is the satisfaction of individual desires? Bread is made because we want to eat it; it is not eaten because we want to make it. And that is only another way of saying that it is produced in accordance with the demand for it for consumption,—that the supply is in all respects determined (pathological conditions apart) by the demand.

And I needn't explain to you, of course, that consumption doesn't mean destruction. The law

of the conservation of energy settles that. What we do in consumption is precisely what we do in production—change the condition of objects. By production we change natural objects to artificial conditions *for the purpose* of satisfying desire; by consumption we change artificial objects back to natural conditions *in the process* of satisfying desire. We change wool to cloth and cloth to a coat, to satisfy the desire for clothing; we change the coat back to the natural elements of wool, by wearing it out in satisfying that desire.

Inevitably the same law of supply and demand applies to service in the production of concrete objects as in service direct. Service direct and service by wealth production are all one in principle. Demand for coats increases the supply of wool, cloth and coats, because social service turns to the production of those things, turning from the production of other things if demand for them falls off. And so we have the natural law I have outlined for you. The law that the demand for social service determines the direction in which individual services will be rendered, is the same thing as the law that the demand for consumption determines the direction in which service will be applied in production. And both formulas mean, translated into the language of money, that the direction in which money is expended in satisfying demand, determines the direction in which money will be expended in providing supply.

Not quite true that demand for consumption determines the direction of service in production? Not quite true because things are usually produced in advance of demand for consumption?

Yes, many things, most things in the narrow interpretation you are adopting now, Doctor, really are produced in advance of demand for consumption. Individuals do usually demand products

that have been already made. Shoemakers, for instance, demand and in fact receive for the money they get for shoes, coats that may have long lain on the dealer's shelves awaiting a sale. But are you warranted, therefore, in supposing that the demands of shoemakers for coats do not cause coats to be produced? I hardly think so. Why, suppose, Doctor, that coats were not bought by shoemakers any more at all. Wouldn't that somewhat discourage the making of more coats? I thought you would say so. In the long run, then, wouldn't it appear that it is the demand for coats that keeps up the supply?

While it is true that in general trade, specific goods are made in advance of specific demand for them, it would be very superficial to infer that therefore production determines consumption instead of being determined by it. "What do white folks mean by babies cutting their teeth?" asked the Negro philosopher in that story you so like to tell to young mothers. "Seems to me," he continued by way of explaining his perplexity—don't you recall it in its present application, Doctor,—"seems to me the teeth cut the baby; leastways that's the way it seems with colored babies." No, no, Doctor; service in production doesn't determine the direction of demand for consumption; demand for consumption always determines the direction of service in production,—always in the long run, and this long run isn't such a very long run either.

The collection of commodities in the market is analogous to the collection of water in reservoirs. No water reservoir would be built if there were no water consumers. But as there are water consumers, the reservoir is built because in that way their demands for water can in certain circumstances be supplied most easily. It is considered by reservoir builders as humanly certain that as

soon as the water consumers realize this, they will resort to the reservoir instead of digging wells or carrying from springs. Now, observe. What may be called the social service reservoir, of which water reservoirs are but one department, serves in all respects a similar purpose. Stores are filled with goods in advance of specific demand, not to induce specific demand except incidentally it may be, but in obedience to general demand. There is approximately a constant demand for wealth, for artificial commodities, in consequence of which these commodities are continuously in process of completion. You find them continually unfinished in factories, in forests, in mines, and upon farms, continually in transit upon ships, cars and wagons, and continually flowing in and out of warehouses, wholesale stores and retail stores. Demands may be supplied for the most part from existing stock, but the stock is at once replenished from this flowing stream in accordance with these demands.

Isn't that equivalent to the proposition that demand for consumption determines the direction of service in production? Whether a bootmaker takes his customer's measure and makes a pair of shoes, as 'Lisha Bartron used to do out home when we were boys, or keeps shoes in stock and when he sells a pair buys another like them, as Alec Howell did at the postoffice store,—what difference does it make in the general round-up? In either case, shoes are supplied pursuant to demand. In one case the shoe-seller anticipates the demand and gives extra accommodation to his customers by having the goods ready at hand when wanted; in the other the shoemaker obliges his customers to wait until the goods can be made.

That some peculiar things are made before there is a demand for them, and for the plain purpose of creating that demand, argues nothing. These

things are made in the hope of a demand. Unless it sets in, their production is abandoned; if it sets in, their production is continued. Yes, production may sometimes actually take place and no demand ever arise, as in the case of that new nostrum you mention which was placed upon the market but didn't catch on. But this was done in expectation of demand, and I guess you'll admit that the market didn't get a second supply. Where is that nostrum now? You couldn't buy a package to save you. Why? Because demand has determined supply—determined it "down and out." The other instances you mention are cases in which the supply only seems to precede demand, but does not in fact precede it in any reasonable sense. Although the goods were stored months in advance of when they were wanted for consumption, they were demanded and consumed in due season and a new supply was consequently produced. Doesn't the fact remain, after all your apparent exceptions, that production in any direction rises and falls in consequence of the rise and fall of demand for consumption?

When demand for consumption withdraws any kind of wealth from the commercial reservoir, a tendency to the reproduction of that kind of wealth is thereby started. What consumers demand of retailers, the latter demand of the trade; and what they demand of the trade, manufacturers who seek the money wherewith to satisfy their own desires, are anxious to make. Very much indeed as water when drawn from a reservoir is reproduced to the reservoir from springs, through rivers and lakes and artificial conduits, are artificial commodities in general reproduced from various parts of the earth. They are produced by means of machinery, railroads, ships, wagons, warehouses and wholesale stores, which in their entirety are analogous to the rivers, lakes and con-

duits of a water supply, and are caused to flow into retail stores, which correspond to the distributing pipes and faucets of water systems. The difference is that the water will continue to flow in the same volume from the springs though the demand for it ceases. But artificial commodities will not continue to flow after demand has ceased, nor in the same volume after demand declines; for the persons who as a whole demand these things are the very persons who as a whole supply them.

Let me elaborate the simile so as to be sure that we grasp its significance. Imagine a universal water supply system in which every local reservoir is connected by pipes with great reservoirs, and these in turn with the natural source of supply, so that water from any part of the system may flow to any lower part. You know of course that the taking of water from a local reservoir must so affect all the water in the system as to result immediately in the replacement from the natural source of supply of a quantity of water equal to what is taken out. Unless there are obtructions, Doctor; unless there are obstructions. Precisely this is the natural arrangement of the world's system of wealth supply, and precisely so is its operation. When shoes are demanded at a retail store, the retailer supplies them and repeats the demand back to the wholesaler; the wholesaler supplies that demand and repeats it back to the manufacturers; they respond and repeat it back to producers of raw material, and to all kinds of workmen in any wise connected, directly or indirectly, principally or collaterally, with the making of shoes. Finished shoes taken out for consumption are consequently at once replaced by finished shoes that were then almost finished, and these by shoes that were then farther removed from finishment, and so on back, stage by stage,

to the rawest of the raw materials that enter into shoemaking or shoemaking machinery.

True, the replacement is not with shoes that have been wholly made since the specific demand, nor in consequence of it; but, what is essentially the same, they come from the constantly flowing stream of shoe supply. Rising on the cattle ranch and in other sources of the raw material for shoes and for the machinery for shoemaking, this industrial and commercial stream flows as steadily as a river, if unobstructed; as steadily as a river it flows from the sources of natural supply on ranches and farms and in mines and forests, through railroads, slaughter houses, tanneries, shoe-machine factories, warehouses, shoe factories, ships, and wholesale stores—all of them modes of social service, don't you see?—to its outlet into the great ocean of consumption at retail stores.

While the specific demand for a particular pair of ready-made shoes does not cause the production of those particular shoes, it does cause the completion of other shoes, which causes progress in making still others, which causes the beginning of the production of others, and so also of all the buildings and machines of whatever kind that are needed in the production of shoes. When the total demand for shoes and their total production are compared, we find shoe production in all its departments continually responding to the demand for shoes.

It may even be hasty to say that specific demand for a particular pair of ready-made shoes at the retail store does not cause the production of those particular shoes. That statement is not quite exact. For this very demand does cause the final act of producing those very shoes—the act of selling and delivering them to the consumer; and it must never be forgotten that the final act of production is quite as necessary as the first, though

the two may be separated by many intermediate acts of production and a long interval of time. If the final act were not demanded, the commercial and industrial stream would "back water"; all the preceding acts of production would immediately slacken and finally stop. If the purchase of shoes at retail stores stopped, all the multifarious processes of making shoes, and of making the machines and buildings for those processes, would also stop.

In whatever light you examine the law that demand for consumption determines supply by production, you will find that it holds good in all circumstances. It is the same whether demand causes the production throughout of the particular thing demanded, or simply keeps the stream of production flowing. It is the same where population is dense, division of labor minute and civilization high, no less than on a lonely island with a population of but one or two, or in the almost self-sufficing hamlet of our far-away boyhood.

And of course this law determines quality and variety as well as quantity. Demand for more wealth of every variety, directs service to the production of more wealth of every variety. Demand for more wealth of a particular variety, directs it to the production of more wealth of that variety. Demand for a better quality of wealth of any variety, directs it to the production of a better quality of that variety. Demand for luxuries turns it in that direction, and demand for vicious indulgence has a similar effect.

Individual services in production turn toward general demand for consumption unerringly in every particular. Nothing else is possible in the long run or general round-up. How could demand for consumption be satisfied if the social service market did not pretty promptly respond with more production? Why, Doctor, don't you see that

mankind would begin to perish to-morrow if production stopped to-day? Don't you realize yet that mankind lives literally from hand to mouth? Don't you know that there is no other way?

Oh, yes, a man might live to three score and ten, consuming much and producing nothing; but he would be living upon other people's production, at the expense of other people's work, in the sweat of other people's faces instead of his own; and that wouldn't be possible unless he were either a pitiful pensioner or a powerful parasite. Mankind as a whole cannot do it.

Saving? Pardon me, Doctor, while I say "bosh" —under my breath and politely, but "bosh!" Don't you know that wealth can't be saved? Claims upon wealth, more or less legitimate, may be accumulated, and create an appearance of saving wealth even for generations; but that wealth is really saved is a delusion.

Those boiled eggs you had at breakfast, they weren't laid two generations ago by your grandfather's hens and saved for you. They were laid yesterday by your neighbor's hens—hens attentively nurtured by him so as to make them "good layers," and which were not born until long after your grandfather died.

You bought the eggs, did you? bought them with money. Good. Now, how did you get the money? If you took it out of those coal mine royalties of yours, somebody in the social service market, or some congeries of somebodies, has supplied you with service to the extent of a couple of eggs without getting an equivalent in service. But if you paid for them out of your wages for helping to bring Tom and Mary's little girl safely into this spinning world of social service, then you paid for your eggs, and they were as truly yours as if your own hens had laid them and your own hands had cooked them.

Don't you realize, Doctor, that demand for consumption is not satisfied from hoards of products? There cannot possibly be any great accumulation of these artificial commodities. They won't keep. No sooner are the processes of production complete than the products are on their way back to their original elements. If they are not consumed they decay.

Of the products that existed a century ago, what remains? A few works of art, a few trinkets, a few relics, a few houses that have cost their worth in repairs. How much remains of what existed only a quarter of a century ago, when you and I were long past our youth? Some machinery, not much; buildings and highways that have cost in repairs nearly as much as they are worth; and a few works of art, trinkets and relics in addition to those a century old. Even the products of a year! Consider the enormous supply of clothing and clothing material, and food and food material, that existed a year ago but is gone now. In fact, all the accumulations even of yesterday will be so depleted by consumption come to-morrow, that we must have continuous accessions of new supplies in order to live into next week.

Again it is like the water reservoir. We city people seem to be taking accumulated savings of water from the reservoir; but how long before we should have to go thirsty and bathless if water were not all the while flowing into the reservoir?

And isn't it clear, Doctor, that this law of continuous demand and responsive supply disposes completely of the notion, which at one time had almost attained to the dignity of a theory, and which got you tangled up in a lot of protection fallacies—isn't it clear that it completely disposes of the notion that periods of industrial stagnation are caused by general production of wealth in excess of general demand for wealth—by over-

production, as they call it? Aren't you willing to admit now that that notion of overproduction is absurd?

Occasional and temporary overproduction in particular specialties? Yes, that is possible, of course. Since products in various stages of finishment continually flow to consumers from their original source in advance of specific though not of general demand, a decline of specific demand for particular products may prevent some of them from reaching consumers at remunerative prices. A change of fashion in hats, for example, may leave upon the hands of hat manufacturers and dealers an unavailable stock of hats, and of hats that are so far finished as to make their materials useless for hats of the newer fashion. But this will occasion no loss to hat makers which they won't make up in the brisk demand for another kind of hat. It may be also that misjudgment or misadventure may overstock the market with some commodity the demand for which has not fallen; but in such cases the equilibrium would soon be restored.

And anyhow, Doctor, these slight special and temporary overflows of supply are not meant when business stagnation is accounted for by overproduction. That notion alludes to excessive production not merely in some directions but in all directions. Now, isn't overproduction in all directions practically impossible so long as those of us who render service get service in exchange? Isn't there a mutuality of demand which makes excessive general supply almost if not quite unthinkable, without some pathological cause? Inasmuch as demand for consumption determines the direction in which labor will be expended in production, production as a whole can never exceed demand as a whole; that is to say, the supply of service as a whole can never exceed the demand

for service as a whole. How could it? Isn't it absurd to suppose that beings who demand wealth, and are able and willing reciprocally to satisfy one another's demands for it, should suffer the ills of poverty from general overproduction of wealth?

In normal social conditions the labor in the social service market is the total productive force of individuals who produce only that they themselves may consume. They are the same individuals. Just as Robinson Crusoe was a producer while adapting means to ends for satisfying his desires, and a consumer while satisfying his desires, so are men in the social service market producers as to the services they supply, and consumers as to the services their wants demand. Interchangeably employing one another, they are producers in one of their two great social relations, and consumers in the other. How, then, let me ask again, could an excess of products harm them, either as consumers or as producers, even if an excess of products were possible?

I'll tell you what it is, Doctor, when workers are suffering for want of work due to overproduction of what they want to consume, social conditions must be pathological. As a normal phenomenon it's preposterous.

The demand of the working masses for wealth to consume, is naturally a demand for their own employment. How then can they suffer for lack of employment? You say that I use "demand" loosely—that I should say "effective demand." That is of course to be understood. By "demand" I mean "effective demand." I don't mean mere idle wishing. To demand the service of others is not only to wish for it, but also to be able and willing to transfer service in payment. But when workers ask for service that other workers offer in exchange for theirs, and are able and willing and

offer to put their own services into the social service market in exchange, don't you think that there is on each side an effective demand?

Given farmers who want store goods, and producers of store goods who want farm products, and isn't the demand of each an effective demand unless something abnormal intervenes to prevent the meeting of demand and supply in the market? Given a man who can and will do something toward making shoes and who wants a hat, and another who can and will do something toward making a hat and who wants a pair of shoes, and aren't their demands mutually effective to that extent? Given all the men who contribute to shoe making and shoe delivery and who want hats, and all who contribute to the making and delivery of hats and who want shoes, and aren't their respective demands for shoes and hats effective demands? Given all the men that produce the things that all men want, and aren't their mutual demands effective demands? In the absence of obstructions, Doctor, in the absence of obstructions. Don't forget that reservation, for upon it hangs all the trouble—yes, and the remedy. Reciprocal demand in the social service market must be effective in the nature of things, unless arbitrary obstructions intervene.

When naturally effective demand is in practice ineffective, the cause will be found to be not in any general production in excess of effective general demand, but in some interposed obstacle which, by preventing supply from meeting and satisfying demand, gives an appearance—a false appearance—of overproduction. When you and I used to rile my grandfather by backing the water of our spring-run into the milk house and setting the cream pans afloat, he didn't talk about overproduction of water at the spring. He knew better. He knew that that "overproduction" was caused by

two mischievous boys who had prevented the natural flow of the water by building a dam in the run; and he stopped the overproduction by making us tear down the dam. You'll remember, too, that no claim of vested rights in dams built by laboriously mischievous boys in spring-runs would have gone down with my grandfather when the family butter was at issue.

No, no, Doctor, don't come back to that notion of saving. You can't cause overproduction by saving, any more than you can have eggs by saving. I have already shown you that products can't be saved. And of course saving wont make you independent of the necessity of working in response to the law of supply and demand that we have been talking about. That sort of independence does not come from possession of an accumulation of products. It comes from the possession of power to command the services of a large number of people from day to day, without ourselves working day by day. This may seem like saving products, and it has in some respects the same or a similar effect; but it isn't the same thing. It is as different as the difference between saving fish and owning fishermen.

There are several ways of getting that power. Some are good and some are bad, some normal and some pathological. We may in one way command the service of others by serving them directly, or by serving some one who through complex exchanges will get service to them. If our service be in great demand and we are skillful, they may enrich us with service in the directions in which we require it, and sufficiently, it may be, to let us take a day off now and then. Or, we may command service now in return for having rendered service in the past to be repaid with future service. Or, we may command service now by borrowing upon an agreement to repay in future

service. Or, we may command service now in return for having in the past made machinery capable of assisting future production, and deferring our payment until it comes from the production to which that machinery will contribute. Or, we may command service by exciting compassion or generosity, and having it offered to us as a gift. Or, we may command it by physical force, as in highway robbery; or by cunning, as in fraud, or blackmail or forgery; or by legislative power, as in slavery statutes and other public grants of the private privilege of exacting service without giving service.

Though individuals may seem in some of those ways to save wealth already produced, what in the main they really save is titles to wealth to be produced. They may, for instance, accumulate promissory notes, or bonds, or corporation stock, or bills of sale, or patents where they are allowed, or titles to slaves where slavery exists, or deeds to land. All this is the same in effect to them as an accumulation of products; for, without further service, they may by means of these titles obtain productive service as they demand it. But it is not in all cases the same to society as a whole. What they gain in social service in some of those ways, others must supply with their individual service; and somewhere in the general round-up, their gain will of necessity be some one's loss.

But don't misunderstand me, Doctor, as making any reflection upon the justice of any of those modes of "saving"—not yet, at any rate, not yet. Some of them are entirely just, and as to the others,—well, let it pass for the present; it's pathological. What I want you to realize clearly now, is the fact that I have already dwelt upon, that mankind as a whole cannot save wealth in any manner for any considerable time. As a whole, mankind can obtain wealth only as mankind pro-

duces wealth. What is demanded for consumption in the present must be produced by present labor. From current production, and virtually from current production alone, can current demand for consumption be satisfied.

Man produces because he desires to consume. His demands for consumption can on the whole be satisfied only from current production. Activities in production are consequently directed by demands for consumption, and this gives us the law that I have tried to make clear,—the law that demand for consumption determines the direction in which labor will be expended in production. No, pardon me, I will put it in another way, essentially the same but more in verbal harmony with the rest of what I have said. I will formulate the law in these words: The character, variety, quality and volume of individual services which the social service market for any considerable time demands, determine the character, variety, quality and volume of the individual services which the social service market supplies.

That this is a sound business rule, Doctor, any intelligent business man will tell you. If he denies it, ask him why he watches the market reports and regulates his output if he be a manufacturer, or his purchases of stock if he be a merchant, by them. Ask him if he doesn't get hints as to the demand for his goods, between the lines of his "price current," and if he doesn't govern himself accordingly in regulating the supply.

CHAPTER VI.

Competition.

Now, Doctor, I come to a moot point between you and me, a vexatious one, and you must be patient. I don't ask so much that you give an attentive ear to what I may say, for you are always attentive, but that you reflect upon its relation to the two social service laws we have considered.

You know the two laws I mean: the law that men naturally "go for" easy money, that is that they naturally seek to gratify their desires in what seems to them to be the easiest way; and the law that the direction of general demand for social service determines the direction in which the supply of individual services will tend. Another thing. I must ask you to remember in connection with those laws, that every person who renders service by producing what others desire and swapping it for what he desires, virtually produces for himself what he so obtains.

And now, when I say "competition," you needn't interrupt with your "tooth and claw" argument. That simile from the jungle is no doubt very apt as an illustration of some of the manifestations of competition in pathological conditions—"jug-handled competition," as I like to call it; but it doesn't apply to competition in normal conditions. Quite the reverse, my dear Doctor, quite the reverse.

In normal conditions, competition and co-operation are convertible terms. Abolish competition?

It couldn't be done without abrogating the social service laws we have just been considering. If they are laws, you can't abrogate them, as nobody knows better than yourself; and if they are essentially beneficent, as I think they are, then normal competition must be beneficent, as I believe it to be. Even if we could abolish competition, to do so would be, as Professor Ross says, with no less truth than wit, "like pouring out the baby with the bath."

You realize clearly enough, don't you, that any scheme for organizing the production and distribution of wealth—that is, for the systematic adjustment and distribution of social service—which did not conform to those two laws we have talked about, would be a hopeless botch? Well, that is what is involved in every scheme for abolishing competition. What we need, Doctor, is not a scheme to abolish competition, but one to rid ourselves of its pathological conditions. In your studies of the "white plague," you don't look forward to abolishing the lungs, do you? Isn't it to relieve them of something abnormal? And doesn't that illustration, even if it is crude, suggest to you my attitude toward competition?

As I look at the matter, it is the automatic processes of competition, and those alone, that can determine for the social service market what on the one hand is the normal demand for service, and how on the other it can be the most easily supplied. Most easily for everybody concerned, I mean, and not for privileged persons. For let me remind you again that when I say "competition" I do not mean "jug-handled competition," which so often seems to be your conception, and which really does make these great industrial disparities that you and I both abhor. What I do mean is competition, or emulation, on

the basis of equal opportunities and a square deal all around.

Impossible? Well, if a square deal under competition in the social service market is impossible, I am for knocking out whatever governmental adjustments there may be that make it impossible. I shan't assail competition itself, which is as natural as breathing, so long as there are unnatural legalities to account for industrial disparities. I shall at least look for a rift in the lute before I condemn music.

Competition seems to me to be the only guarantee of a square deal that we have in this world of selfish impulses. It is to social service somewhat as gravitation is to physics—Nature's device for maintaining an equilibrium. Individual services flow in the direction of the easiest opportunities for satisfying desire, as persistently as water flows down hill. That fact is both the cause and the necessity for competition. There is no other test of fair dealing. Everybody has to measure labor energy by its irksomeness to himself.

Whenever any kind of social service product sells for more money than will hire men to make other products like it, individual services tend toward the making of products of that kind, which tends to bring down their price by the special over-supply. You see that, don't you? Well, let's analyze it.

The fact that a product sells for more money than before, shows that the demand for service of that kind is in excess of the supply. Competition has spoken from one direction. Under one of our two social service laws, therefore, individual services tend toward bringing demand and supply in that respect to an equilibrium. Competition has now spoken from another direction. And so matters oscillate until the increased sup-

ply of that kind of service equals the demand for it, which is indicated by a decline in the price of such products to the old level. Competition has then had its last word, so far as that particular disturbance of values is concerned. But it continues to operate as potential competition—that is, as a social force which must be taken into account regarding any possible variation in demand and supply. Producers and consumers—who in normal conditions are the same persons, you remember—are then restored to an equality in the interchange of services; and so long as the pressure of competition remains the same on all sides, this equality cannot be disturbed.

Reflect upon it, Doctor, and you will see that competition is the equilibrating force of the social service market. Why, I would as soon think of regulating physical equilibrium by some legislative substitute for natural forces, as to regulate or abolish competition by legislation.

You won't see any of this very clearly, of course, if you think of what you call "laborers" as responding to demands for service, and of a leisure class as making the demands. But it will be clear enough if you include in your idea of service all classes of laborers—from boss to apprentice, from statesman to errand boy—co-operating to serve one another. You must reject altogether the notion of a leisure class; for which, indeed, as you must already realize, there is no normal place in the social service market. Its existence is one of the marked symptoms of social disease. A leisure class that lives in luxury on the fat of the land is socially worse than one that begs.

Oh, certainly, any reversal of the experience in supply and demand with which I have just illustrated would be due to the same two laws

that we have been overhauling and examining. That is to say, just as competition would cause greater production in response to higher prices so it would cause less production in response to lower prices. If, for example, a product begins to sell for less than the money necessary to get service in reproducing products of that kind, competition begins to draw individual services away from the production of that kind of product until from scarcity its price has risen sufficiently to restore the equilibrium of service for service. Don't imagine, however, that in normal conditions there would be any appreciable interval of slack employment. Human desires are so greedy that if they are oversupplied in any direction they soon catch up unless some extraneous force interferes, and so varied that if they decline or become stationary in any direction they increase in other directions. The demands of men for the services of their fellow men are as insatiable as their demands for air.

I am assuming, of course, that the alterations in price I have mentioned are not due to any fluctuations in the value of money. Bear in mind that when it is money that falls or rises in value, all products tend to rise or fall in value accordingly. The equilibrium is not disturbed except as to debts. But I am considering cases in which only one or some products or forms of service rise or fall.

But now, Doctor, remembering that money is only a medium for swapping, and not after all the thing we really want, isn't it plain that the whole matter which I have been considering, comes down to the question of human irksomeness? You think it comes down to the question of value? Aye, but isn't value due to irksomeness? Divest human nature of its proneness to

become weary with work, and no such thing as value could arise, could it?

I reckon you recall our talk about value, but what you say now shows the necessity for considering it a little further. We got only to the point that value results from desire for scarce objects. But we didn't consider that scarcity may be modified; and you doubtless see now the necessity for further consideration. For anything that modifies scarcity, as related to desirability, must modify value. Isn't that obvious? Suppose, then, that we analyze value a little more minutely.

Take any labor product you please: bread, cake, cigars, coffee, umbrellas, whiskey, poisons, houses, hymn books, locomotives, domesticated dogs, trained horses, machinery—anything that can have no existence beyond the form and place of natural raw material, except as it gets it from human exertion, from human art; take anything, in brief, that may properly be called artificial, either as to place, or as to shape, or as to both. How could that product possibly have value if nobody desired it? Of course it couldn't. We have already satisfied ourselves of that, haven't we? No object is valuable unless it is desired in exchange for another desired object or a wearisome service. Here, for example, is this half-decayed acorn that I pick up in our path—but no, this acorn is not a labor product, and we are talking about labor products now. Ah, here is a dilapidated willow whistle that I made last Summer for my grandson. He has got tired of it and chucked it into my overcoat pocket. Now who would give any thing desirable in exchange for that voiceless whistle? Probably nobody. Upon that supposition, then, it has no value. So we may put in a pin right there—the same pin that we used when we talked of value

before. No labor product is valuable unless it is desirable.

But then there is the supplementary consideration. No matter how desirable a labor product may be, it wouldn't be valuable, you know, unless it was scarce. Very good, but what is it that makes labor products scarce? Well, for one thing I guess we can safely say that the natural limitations upon human productiveness have something to do with it; for they wouldn't exist at all without human productiveness, which would be absolute scarcity. Now for relative scarcity, which is the practical thing.

Since desire for labor products appears to be without limitations, and human power to produce them is very decidedly limited, there is of course a resultant condition of scarcity relatively to desire. This condition is continuous, and would alone give value to labor products. If we can never catch up to demand for labor products, we can never eliminate value; and whoever owns a desired product will always be able to swap it for some other desired product, or for some measure of social service yet to be performed.

But that isn't all, Doctor. Even if productive power could possibly be so far extended as to overtake desire for products, nevertheless there would be scarcity if the necessary degree of work were irksome. And wouldn't it be irksome? Well, "I should smile," as the boys used to say. No matter how delightful any work may be, it does make us tired if we keep at it and does become irksome if we have to keep at it, doesn't it? Consequently he who possesses a desired product of labor, can swap it for other desired products of labor whenever the owner of each prefers the other to his own.

And what is more to the point, since it is con-

tinuous labor that keeps the world a-going—what is much more to the point, he can swap his product for services yet to be performed. Any one will weary himself to render a service for what he desires, if what he desires cannot be duplicated without weariness.

How much, then, will he weary himself? how much service will he render? As much as, on the whole, men would rather do, its irksomeness considered, than go without the object of their desire. Doesn't that seem sensible? In other words, the exchange equilibrium which is known as "value" in the social service market, is brought about by an adjustment of desire to irksomeness. And this is essentially the same thing—don't you see?—as an adjustment of demand to supply.

It is this adjustment of demand and supply that regulates the scarcity of desirable labor products, and consequently their value. For convenience we express it in terms of money. And that is what is meant, Doctor, when we say that "labor is the measure of value," or that "labor determines value," or that "value is the labor cost of production." It is the reason, also, that the values of products fall with labor-saving invention. Invention tends to decrease irksomeness in production. That is, it enables us to get a greater supply with less effort. And decrease of irksomeness, making for plenty, lessens the scarcity of supply relatively to demand, and thereby lessens value.

Values of land? Yes, you are right; "land value" is due to the same principle as "labor value." No matter how desirable any spot on earth may be, it has no value unless spots known to be of that desirability are scarce—that is, scarce where they are desirable, for you can't move land, you know. Here you have again, don't you see, the conjunction of desirability and

scarcity in order to make value? But there is this difference. Scarcity of land cannot be modified by human labor. Something analogous does indeed happen when land previously so inaccessible as to be undesirable, comes to be accessible and desirable. But land is not a product of labor. It cannot be made to order, as labor products can be. It is a gift of nature.

Abstruse? Yes, you always speak of this as abstruse, and perhaps I don't explain it very well. But you will find it clearly enough as well as briefly stated in that copy of Henry George's "Perplexed Philosopher" which you have in your pocket. Allow me to read a few sentences instead of risking a botch by trying again to make the explanation myself.

Here at page 38 George says that value with regard to the greater number of valuable things, "is simply an expression of the labor required for the production of such a thing"—of such a thing, Doctor; not of those identical things, but of "such a thing," of things like them,—which means that the value that those things have depends in the last analysis upon the degree of weariness the co-operators in the social-service market will endure rather than do without them. That is what I have been trying to explain. Well, to get back to the book, George then goes on—I shall omit some passages, for they are not necessary for our present purpose, and you can read them at your leisure. He then goes on to say at page 39:

But there are some things as to which this is not so clear. Land is not produced by labor; yet land, irrespective of any improvements that labor has made on it, often has value. And so value frequently attaches to the forms of the economic term "land" that we commonly speak of as natural products, such as trees in their natural state, ore in the vein, stone or marble in the quarry, or sand or gravel in the bed

Yet a little examination will show that such facts are but exemplifications of the general principle, just as the rise of a balloon and the fall of a stone both exemplify the universal law of gravitation.

To illustrate: Let us suppose a man accidentally to stumble on a diamond. Without the expenditure of labor, for his effort has been merely that of stooping down to pick it up, an action in itself a gratification of curiosity, he has here a great value. But what causes this value? Clearly it springs from the fact that, as a rule, to get such a diamond will require much expenditure of labor. If any one could pick up diamonds as easily as in this case, diamonds would have no value. . . . In the naturally wooded section of the United States trees had at first not merely no value, but were deemed an incumbrance, to get rid of which the settler had to incur the labor of felling and burning. Then lumber had no value except the cost of working it up after it had been felled, for the work of felling had for object the getting rid of the tree. But soon, as clearing proceeded, the desire to get rid of trees so far slackened, as compared with the desire to get lumber, that trees were felled simply for the purpose of getting lumber. Then the value of lumber increased, for the labor of felling trees had to be added to it; but trees themselves had as yet no value. As clearing still proceeded and the demand for lumber grew with growing population, it became necessary to go farther and farther for trees. Then transportation began to be a perceptible element in the labor of getting lumber, and trees that had been left standing began to have a value, since by using them the labor of transportation would be saved. And as the requirement for lumber has compelled the lumbermen to go farther and farther, the value of the trees remaining has increased. But this value is not inherent in the trees: it is a value having its basis in labor, and representing a saving in labor that must otherwise be incurred. The reason that the tree at such a place has a value, is that obtaining it there secures the same result as would the labor of transporting a similar amount of lumber from the greater distance to which resort must be made to satisfy the demand for lumber.

Turn back a page, Doctor, and you will see

that George has qualified this last statement by saying: "Or, to speak exactly, to get the last amount of such lumber that the existing demand requires." Now let me read on a little farther:

And so with the value which attaches to ore or sand or gravel. Such value is always relative to the labor required to obtain such things from points of greater distance or of less abundant deposits, to which in the existing demand resort is necessary. We thus see the cause and nature of land values, or, to use the economic term, of rent. No matter how fertile it may be, no matter what other desirable quality it may have, land has no value until, whether by reason of quality or location, the relation between it and the most advantageous land to which labor may have free access gives to its use an advantage equivalent to the saving of labor. . . . Thus the phenomena of value are at bottom illustrations of one principle. The value of everything produced by labor, from a pound of chalk or a paper of pins to the elaborate structure and appurtenances of a first-class ocean steamer, is resolvable on analysis into an equivalent of the labor required to reproduce such a thing in form and place; while the value of things not produced by labor, but nevertheless susceptible of ownership, is in the same way resolvable into an equivalent of the labor which the ownership of such a thing enables the owner to obtain or save.

There's your book, Doctor. Read what I have omitted and what follows, and the idea will grow upon you.

If you care for other illustrations, recall the story of the Dakotas. When you and I were boys, Dakota lands weren't worth much of anything. That was because nobody desired them. But those same lands now have a value—a great value. Their possession gives a very great advantage to labor over lands that are no more desirable than Dakota lands were in our boyhood. They are consequently much desired and scarce, and the advantage expresses itself in terms of money as land value.

Moreover,—and here is the point I wish you to

concentrate upon in connection with our subject, which is competition, you know,—moreover, the scarcity of these lands cannot be modified by labor as the scarcity of labor products can be. As scarcity of desirable products attracts labor to their reproduction, it lessens their scarcity and therefore their value; but as desirable land attracts labor to its utilization, its scarcity increases, and therefore its value. This is what is meant by the difference between those two loose terms, "labor values" and "land values."

Now, if you notice, Doctor, you will see that land values shade off from hundreds of thousands and even millions of dollars an acre in our New Yorks and Chicagos, to almost zero in remote farming districts. Why? Evidently because the dear land is for some reason very desirable and very scarce, whereas the rest is progressively less desirable and less scarce. And if you notice further you will find that it is where service is most specialized and consequently most productive that land is scarcest relatively to its desirability, and therefore most valuable. Don't you see now that while labor holds the value of products in check, it increases the value of land?

What is the reason? Shouldn't you say that it has to do with our old friend Mr. Irksomeness? Seems to me so. If I have a machine that will enable you to produce what you want with less irksomeness than without it, you will serve me in exchange for that machine, or will give me some of your products in using the machine, and consequently the machine will have a value. How much value? A value in proportion to its capability of saving the work necessary to produce a machine like it. Isn't that true? Well, the same thing is true of land, just as George explains in his book. If I have a building lot in a location that will enable you to satisfy your

desires with less weariness than a lot in another place, you will give more service for the one than for the other. Both the lot and the machine have value because their possession will in some degree save weariness in satisfying our wants, and more or less value according to the degree of that saving.

But, Doctor, note the vital difference to which I have alluded—the difference between the value of the machine and the value of the land, notwithstanding that the value of each is determined by the labor its possession will save. Machines can be reproduced practically without limit through interchanges of service, but land cannot. Consequently—and mark me now—if there were no obstructive legal regulations no one who owns a machine could get more service for it, either directly or indirectly, whether by sale, by rental, or by deductions from the products of the workers who use it, than it costs in social service to make one like it.

In other words, in the absence of obstructive legal regulations, owners of machines could get no more service of others than they give of their own service, though their absolute ownership of the machines be fully recognized. But not so with the owners of land. If their absolute ownership be fully recognized, and there be no obstructive legal regulations, those that own land will get more service than they give.

Don't you see the reason? Why, the land is both desirable and scarce. No, no, Doctor, not physically scarce; you can neither decrease nor increase the area of land, and in fact there is plenty of land in the physical sense. What I mean is, scarce in the market—difficult to buy because owners are loth to sell. Nevertheless, there are physical considerations. It is the fixed amount of land naturally that makes the market

scarcity when demand sets in. Ah, yes, that old notion about the "indestructible powers of the soil" which Professor Rutley used to talk to us about—yes, yes, quite natural that it should heave up in your memory. But that isn't what I mean by fixed amount of land. Though the powers of the soil are truly enough indestructible, this doesn't make the differential values of land—not to any important extent, at any rate. Location is the main thing—not natural fertility, but location. Well, any how, the point here is that land tends to rise in value so as to give land owners more service than they render, whereas machines do not tend to rise in value so as to give machine owners more service than they render. The reason is that men cannot make more land, but they can make more machines.

The value of land rises in direct opposition to the value of services. As land tends upward, services tend downward—as a proportion always, and as an absolute quantity often. He who owns desirable land of a given degree of scarcity finds it so valuable that he can get service from others without giving service of his own—either past or present or future service of his own,—just as old Sampson wants to do, and expects to do, and will do with that vacant lot of his over yonder.

But with machines, if they become more desirable, they do not become more scarce and therefore more valuable unless their multiplication is arbitrarily restricted, which is pathological. On the contrary, if the social service market is free, as it must be to be healthy, machines become more and more plentiful as they become more and more desirable, and consequently they become more and more cheap. As their increasing desirability tends to increase their market value, social service, drawn in expanding volume to their production by improved and improving

methods of co-operation, not only holds their rising value in check but turns it downward.

Why, think, man, of the strides that have been made in a few years in automobile manufacture, for instance. If it were not for patents, you could get automobiles much cheaper than ten years ago. If it were not for various forms of taxation that obstruct the manufacture, sale and operation of automobiles, you could get and use them still cheaper. Even as it is, in spite of all obstructions, automobiles can be had now for less than they could be had for ten years ago; not as good ones by present standards, may be, but as good, I guess, as by the standards of ten years ago, and probably better.

Don't you see now, how radical the difference is between absolute property in machines and absolute property in land? Don't you see how competition tends to reduce the value of machines, to the enrichment of everybody; and how it tends to increase the value of land, to the enrichment of—well, of land owners as things are under monopoly of land, but of everybody as things would be under equitable adjustments of rights to land. And doesn't this show you what the natural function of competition is?

In normal conditions, competition maintains the equilibrium of service between machine producers and machine users; but monopoly, the antithesis of competition, disturbs this equilibrium. Competition tends to diminish scarcity with reference to desirability; it tends to make plenty for all. But monopoly tends to diminish plenty with reference to desire; it tends to perpetuate scarcity for all but the privileged.

The doctrine of "all the traffic will bear" is after all a true expression of the force that governs the social service market. This doctrine has a bad name? Yes, truly; but that is because

it has always been applied to pathological symptoms. Railroad companies get authority from government to set up a carrying monopoly, and then charge "all the traffic will bear." In such a case "all the traffic will bear" means all that the social service market will pay rather than go without the carrying service. It is a monopoly price, based upon a monopoly privilege. But if there were no monopoly privilege, would "all the traffic will bear" mean all that the social service market will pay rather than go without? Nary, Doctor, nary! It would mean all that the social service market would pay rather than turn to and reproduce that particular kind of service,—which is a very different thing, I can tell you.

Under monopoly, the limit of what a social servitor can get, is what other social servitors will give *rather than go without* such service as his; under competition, the limit of what a social servitor can get, is what other social servitors will give *rather than turn more social service energy into his field of service.* A vast difference, Doctor, a vast difference.

When sellers of services demand the most they think they can get, and buyers offer the least they think sellers will take, it makes a tremendous difference whether the sellers monopolize that kind of service or have to compete. If they monopolize it, they will get more than equal service; if they have to compete, they can't get more. The rule of "all the traffic will bear" is only a slang expression of the law that men seek to gratify their desires with the least exertion. If this law operates in monopolistic conditions, it will tend to produce pathological symptoms; but if it operates in competitive conditions, it will tend to produce and maintain social health.

In competitive conditions, as in monopolistic, the seller of services may desire the most service

of the kind he wants in exchange for the least of the kind he offers, and the buyer may incline to offer the least of what the other wants in exchange for what the other offers; but in competitive conditions, other buyers and other sellers compete, and this produces and maintains an equilibrium of value at the point of equality of exertion.

To put the same thing in another way. Everyone who pays his way in this world is both a buyer and a seller of services—a seller of his own services, and a buyer of the services of others. As buyer, each seeks the most; as seller, each would offer the least. This is natural, Doctor, according to a law of human nature which can no more be abrogated than any other phase of the law of self-preservation. In emergencies some men will act contrary to all such laws, and so we have martyrs. But to act in contravention of those laws in ordinary conditions is to disturb the social equilibrium. If some of us were to offer the most in exchange for the least, we should become victims to those who insisted upon giving the least in exchange for the most. The thing would be unworkable unless all of us were angelic enough to offer most for least. And this isn't heaven, Doctor, as you have found out on more than one accasion, and I too. Maybe we have both done our share toward keeping it unheavenly; maybe we have, maybe we have. At any rate, if nothing more could be said for competition than that it is "God's law of co-operation for a selfish world," that alone would be enough.

If competition were untrammeled, it would produce an equilibrium of values in buying and selling at the point of equality of serviceableness. Isn't that fair? Yet we hear objections to competition—and you yourself have made some of them—as if it were something morally wrong

and economically unbalancing. For instance, there is Vida Scudder's "Social Ideals in English Letters," one of the most genuine and delightful books I have ever read—even that book turns aside to take an occasional "fall" out of competition. Come into the house and sit down a few minutes while I get it and read you a passage. Here you are, and here's the book. Let me read you this paragraph: "The competitive system, dimly felt by some people to be at the basis of the evil"—the evil against which "the love of man and freedom" would hurl its weapons, mind you, Doctor,—"was as irresponsible as it was mighty. From one point of view, moreover, it was a very safeguard of personal liberty. 'Laissez faire,' in economic phenomena, corresponded accurately, if rather grimly, to Emerson's poetic theories of the right of every man to shape the universe according to his powers. Unrestricted competition seemed not only sternly just, according to the ideas current, but inevitable as a law of nature. Society, possessed by fresh and often crude perceptions of evolutionary principles, felt helpless before it; for it did but carry out impersonally, inexorably, the struggle for existence and the survival of the fittest. Even to-day many people feel that it is either sentimental, criminal, or at best hopeless, to seek to disturb by conscious effort the action of so-called natural law in civilization."

Of the competitive system that criticism might be rightly made, I suppose. But what is loosely called the "competitive system" is not competitive. It is honeycombed with privileges and all manner of institutional, arbitrary, and legalized unfairness. And it always has been, historically speaking. The competitive system is to competition much as a ship covered with barnacles is to a ship with a clean hull. It is a system of competition

between the privileged and the unprivileged. In so far as it is competition at all, it is jug-handled competition. The legally strong though industrially useless, enter into "free" contracts with the legally weak but industrially useful!

Do away with such a system? Of course. But you can't do away with it by "conscious effort" to disturb "the action of so-called natural law in civilization." It is just such efforts that make the most fertile soil for monopolies. To do away with the competitive system is a very different thing from doing away with unrestricted competition.

Doesn't unrestricted competition mean to let everybody alone? That depends upon what you mean by letting alone. It does not mean to let everybody or anybody alone to *interfere* with production, with rendering service, with industry. Such interferences, whether by government or by highwaymen, are precisely what ought to be stopped in the interest of unrestricted competition. Unrestricted competition does mean that everybody should be let alone in production, in trade, in service, in usefulness to his fellows, in making the world better and richer, and in securing a fair distribution of service among those who render service.

Truly enough, "laissez faire" is the word—"let alone," that is the watchword of competition. But it isn't all of it. As the old democratic economists of France put it—those preceptors of Adam Smith—it was "laissez faire, laissez aller." Now, how would you translate that, Doctor? Don't you think that George's free translation of "a fair field and no favor" will do? Or we might make it "a square deal and no odds," or best of all, maybe, "equal rights and no privileges."

There is no competition in the policy of "let alone," unless you abolish privileges. But with

equal rights and no privileges, can you imagine anything fairer or squarer or juster in industry, in trade, in social service, than the policy of "let alone"? This doesn't mean a "struggle for existence and survival of the fittest" in the sense of survival of the strong at the expense of the weak, nor even of survival of the more productive at the expense of the less productive. It means fair distribution in proportion to production. It means that he who renders the most and the best service in his specialty shall get the most and the best service from other specializers, while those who render the least and the poorest shall nevertheless get the equivalent of what they do render. And it leaves the decision to those who in equal freedom make the deal for the service.

Competition is the natural regulator of the law of the line of least resistance. Without such regulation that law might stimulate the strongest—not the strongest in rendering service, but the strongest in extorting service—to get service without giving an equivalent service of his own. There is your savage "tooth and claw" condition, Doctor. But under free competition this would be impossible, for free competition restrains the individual desires of each by the opposition of the individual desires of others. In other words, competition tends to produce an equilibrium of the self-serving impulse at the most useful level of social service.

It is a word of confusing connotations, this word "competition," as are all living words; and it may not be the best word for conveying my idea. But I can't manufacture words, Doctor. All I can do is to make unto myself a definition, and always to use my word in that sense; and all I can ask you to do is to adopt my definitions when you try to understand my discourse.

Though competition may not be quite synony-

mous with natural co-operation, it is closely related to it, and in such a manner as to justify me, I think, in characterizing it as the life principle of natural co-operation.

Monopoly, on the other hand, whether its purpose be malevolent or benevolent, is the death principle of natural co-operation.

So it seems to me that you will grasp the significance of competition best by contrasting it with monopoly.

To sum it all up, there are only two ways of regulating co-operative service, that social service which springs from individual desires for self-service. One way is by monopoly; the other is by free competition. Monopoly is pathological, and socially destructive; competition is natural, and socially creative.

CHAPTER VII.

The Mechanism of Social Service.

What did I mean in one of our talks, when I spoke of the mechanism of social service? Well, let me see. Suppose I answer your question Yankee fashion, by asking another. What do you and I and everybody else mean by business? Answer that question, Doctor, and you have answered your own. The mechanism of social service and the processes of business are two terms for the same thing.

Business in the broad sense is what I mean, of course, and not in the restricted sense in which narrow-minded men sometimes use the word. Banking, for instance, that is business to be sure; but it is not all of business. Neither banking nor any other kind of co-operative service—and banking is co-operative service, mind you—is all of business; no, nor are many kinds of such service, short of all kinds.

You work in a profession. So do I. We like to call them "professions," our industrial tribes do, so as to make our work seem more respectable than business; and the "business man," for some similar reason likes to call his vocation "business" so as to distinguish it from farming, and mechanics, and common labor, and so on, all of which he holds beneath his dignity—except as a boastful memory of something from which he has escaped. There is a sort of "class consciousness" in the whole thing, as our socialistic neighbor down the street would call it. But Mr. Bryan

was right when he told the business classes away back in 1896, that they were too narrow in their ideas of what constitutes business.

Business includes all forms of production and trade—farming, transporting, storekeeping, banking, the professions. It includes also the work of the men who get stipulated wages, as well as that of those whose wages are included in what they call profits. As the mechanism of social service, business comprehends all serviceable work.

Observe, Doctor, that I said "serviceable." I didn't say "useful." A good deal of business, a considerable part of the mechanism of social service, is not useful. That is to say, it is not beneficial. But it is all serviceable. Every occupation serves some general desire; if it didn't it wouldn't survive.

Theft come into that category? Of course not. Theft serves no one's desire but that of the thief. His customers are not free agents. They may hold up their hands meekly enough while he "goes through" them, but they have no desire to. Not only is he not useful to them. but he is not serviceable to them either.

And what is true in that respect of illegal theft, is true also of all forms of legal theft—"monopolies" as we commonly call them. The monopolist gives no service—not in his role of monopolist,—either good or bad, useful or vicious, in exchange for what he gets. He may, indeed, in connection with his monopoly, render service in some degree. This happens, for example, when water is supplied through the mains of a water monopoly. The water is serviceable. For most purposes it may also be useful. But all that the monopolist gets over the value of the water service, he gets by force of his monopoly, and without giving anything serviceable in exchange for it. He gets it as the thief gets loot—by coercion. He gets

it because the law creates conditions that enable him to charge all the traffic will bear without the restraints of competition. That is to say, he serves under conditions of law that prevent others from serving at all, or else compels them to serve at a disadvantage. He has the advantage either of exclusive service or of privileged service. Consequently there is little or no limit to what the traffic will bear in his case, except the desire of his consumers. They must come to his terms or go without that kind of service. His price is not at an equilibrium established by the opposing forces of their own desires and the desires of others, as in competition or co-operation; it is regulated only by the limits of their desires on the one hand and of his rapacity on the other. He holds letters of marque on the business seas; and in so far as his prices are higher than others would be freely willing to serve for were they allowed to, his income is on a par with the income of the ordinary thief. It is legalized loot, and loot is loot whether legalized or not.

But the man who makes or sells things that many of us would call useless, or even vicious, is nevertheless engaged in business, in social service, if those he serves are free to accept or reject what he offers them in exchange for what he demands of them.

You and I know people who denounce the liquor traffic not only as useless but as vicious—and, Lord bless us, I have no quarrel with them on that score,—but whether useful or injurious, the liquor traffic is serviceable or it would "go broke." Then there are others who feel the same way, though with minor intensity and less reason it may be, about tobacco, and tea, and coffee, and so on. They may be right. Possibly all these things are so injurious that they cannot be called useful. I do not dispute it. That is in your pro-

fessional line rather than in mine. But so long as those things are in demand for consumption, they are serviceable even if they are not useful; and the making and dealing in them is a social service, a business, in the same sense that the making and dealing in anything else is a social service or business. Take one of the business men at Joseph's restaurant, for instance, one of those that we call "waiters" for purposes of distinction. He may not be as useful when he serves us with beer as when he serves us with a sandwich—except in the estimation of vegetarians, you know, if the sandwich is a meat sandwich—he may not be as useful, I say, but he is just as serviceable, provided we have voluntarily asked him for the beer.

Mutuality, Doctor, mutuality, that is the key word of the business mechanism—mutuality between giver and getter, so that each giver gets what he wants to get for what he gives, and each getter gives what he wants to give for what he gets. The more steadily business runs in that direction, the closer does it approximate to the natural laws of social service; the farther it goes in the opposite direction, the closer does it approximate to low-down theft.

A person's business is the pursuit or occupation by means of which he helps to serve others in exchange for the service he gets from others,—by means of which, to fall back upon the vocabulary of business, he gets from others for serving them the money wherewith he buys the things he wants himself. This is his way of rendering social service; it is that part of the mechanism of social service with which he comes into immediate contact in rendering and receiving service. And the regulators of this mechanism, the elements of business, are those fundamental principles of social service that we have been considering in

our friendly talks, and which, though not specifically distinguished as the principles of any particular business, are the necessary conditions of all business.

Yes, we are competent, too, you and I, to consider the elements of all business. It is true, to be sure, that every occupation comes under principles peculiar to itself. Yours and mine do. They are governed by technical principles that must be minutely learned, and no one can intelligently consider these technicalities in any business but his own. But beneath technicalities are the general principles of all industry, of all social service, of all business. Any one of intelligence may grasp these, because they require for their mastery clear thinking on common facts rather than minute knowledge of technical facts.

Without an understanding of these principles even the technically skilled are at a disadvantage in their own callings. Did you never read Waldo Pondray Warren's "Thoughts on Business"? They are really excellent. And nothing in the whole collection is better than this bit of advice on learning a business: "The first thing to acquire is the habit or disposition of looking into things. Get a bird's-eye view of the whole, then learn what general kinds there are, then the component parts of each, and then the details of the particular part you need to use. To work from the top downward is the quickest and most comprehensive way. The questions of What, Where, How and Why—especially Why—get quickly at the heart of what is needful to know about any phase of a business."

Why, Doctor, business is simply the art of adapting means to ends for social service. Considered in detail it may be this or that particular art,—as farming, mining, manufacturing, sea-

manship, railroading, trading, storekeeping, banking, and the great variety of their subdivisions; considered in general it is the correlation of all kinds of arts which tend to satisfy individual desires by the interchange of individual services. Its general principles are those elementary principles of social service that we have already formulated. You'll recall them if I tab them off on my fingers.

Let my thumb remind you of the foundation principle of all, the law of human nature that men seek to satisfy their desires with the least exertion. This is the social service law of the line of least resistance, don't you remember?

Then we have here on my index finger, a reminder of the elementary law of trade: The direction of the demand for service determines the character of the supply of service; or, in business phrase, don't you see?—the expenditure of money by consumers in demand for commodities determines the expenditure of money in business for the supply of commodities.

Now look at my middle finger to remind you of the law that every person who consumes products of social service, and who pays his way in the world with service of his own—don't you forget that, Doctor, for we are dealing now only with the people that pay their way with their own work, and not with parasites whether legal or not, not with any class that pays its way with other people's work, classes we will consider when we take up the pathological aspects of our subject—every one who pays his own way with his own work, I repeat, virtually produces the things he consumes even if he does not literally make them.

Don't you remember how we agreed that the man who makes shoe soles week in and week out, nothing but shoe soles, wouldn't do it unless he

could trade them for what he wanted? And don't you recall that I virtually got my own live-bait and you virtually mailed your own letters that day when we swapped errands in the mountains? You will find this an important elementary lesson in business; for it means that every one who works produces his own wages, and what is more, that he produces them before he gets them.

Some business men think that they advance the wages of their employes out of their capital. Nonsense. They do nothing of the kind—no more than any of us advances to another anything out of our capital when we swap our money for their goods. They may help their employes to trade their wages in the forms in which they make them for the forms they really want to consume. That is, they may help them to liquefy their wages, so to speak; but employers don't advance workingmen their wages. They get from their workingmen the equivalent of money before they give them money. Do street car companies advance conductors their wages? Absurd? Of course it is absurd. Street car conductors produce from passengers the money with which their wages are paid, all through the week, and they don't get their wages till Saturday. It is the same with other workmen, except that they produce something else than the very money they get for their wages.

To give either money or anything else for property in any other commodity whatever, or to give property rights in a choice from all commodities in exchange for property in one kind of commodity, as we do when we give money for something else, is not to advance anything; it is simply to swap one thing which is more or less desirable for another thing which is more or less desirable. Take that shoe-sole maker again, for illustration. Haven't we found that his em-

ployer advanced him nothing? All he did was to rent him space and sell him leather conditionally, just as old Sampson rents you and me our offices conditionally, and as the New York merchants used to sell Alec Howell his little supply of store goods conditionally. Our shoe-sole maker's employer sells or lends sole leather to the shoe-sole maker, and rents him floor space and a machine, upon a bargain that the shoe-sole maker will turn over the shoe soles he produces at the end of the week at a stipulated price, which both of them call wages. The two are in fact joint owners of the shoe soles, the one to the extent of an interest that constitutes his wages for turning sole leather into shoe soles, and the other of the rest. This is not quite the legal aspect of the matter, but it is the essence of it. Legally, the shoe-sole maker may have no interest in the shoe soles he produces; but essentially he is a partner or co-operator with his employer. He may not realize much on his partnership, but that doesn't alter the fact that he works as a partner, as a co-operator.

Why, now, I remember me that there was a case in one of the Western courts, Wisconsin, I think, which decided that in some connections this very co-operation is recognized legally. It was a case on mechanics' lien law, and it decided that a cook in a logging camp—just a cook, mind you, who had never handled an ax in his life except to kill hens for pot pie,—that this cook who cooked for the loggers in a lumber camp was thereby chopping down lumber. "What one does by another he does himself," don't you see?

But to come back to our shoe-sole maker, do you suppose that his employer would have paid him any wages if he had done nothing with the leather? I reckon not. Employers pay wages for

product. Whether they measure them by time or not, it is product and not time that they buy. They are in reality buying the workman's output, which, in the first instance, is his property and not theirs. The fact that they bargain for it in advance makes no essential difference. Even if the workmen have to bargain under duress and at a loss, the essential character of the bargain is the same, namely, a bargain for the ownership of goods to be made.

In the case of our shoe-sole maker the greater serviceableness as a commodity in the social service market of the soles over the leather, was the property of the shoe-sole maker the instant he did the work—his wages, which he himself had made. When the employer gave him money at the end of the week, that money was not only not an advance of the man's wages, but was not wages at all. It was paid after the commodity had been produced, and it was purchase money for a commodity just as truly as the money you paid the storekeeper for that new hat of yours was purchase money. The storekeeper gave up a hat of his own to get your money, and the shoe-sole maker gave up a shoe-sole product of his own to get his employer's money. He gave up his wages in their original form for money, and with the money he bought other products; and the products that he bought, if he or his family consumed them, were his final wages, his real wages, the things he had worked for.

I'll tell you what it is, Doctor, if both employers and workingmen had a better understanding of this middle finger law of social service, this law that every one who pays his way in the world with his own work makes his own wages, if both had a better understanding of that law, both would be better business men, better co-operators in social service, than they are.

Going now to the third finger, let us have that remind us of competition, which we talked about the last time we met—mutuality of competition, you know, co-operative competition, emulation if you like the word better; and not the jug-handled competition, the tooth-and-claw competition, the devil-take-the-hindmost competition, which monopolistic conditions have produced. Somebody has called competition the life of trade, and so it is,—the life of trade, the life of business, the motor force of the mechanism of social service. If business were competitive through and through, with no monopolies to disturb the free flow of social service interchanges, everybody would get the full value of the wages he earns. Nobody would have any "rake-off."

But that thought leads on to pathological considerations; so I'll break it off and ask you to think again of money as you look at my little finger. You remember, don't you, that money is only a medium of exchange, and its terms a language of values? Well, don't forget this, for money terms constitute the dialect of the business world, and money is its fetish. Business men get so they seldom think of anything except in terms of money. I knew a business man once, and you knew him too—a genuinely good man, a man who contributed liberally to his church, according to his means, and as a Christian and not as a mammonite (and they don't all do that, do they, Doctor?), and also to everything else in which he believed, and who never felt that he was buying his pastor's soul when he helped pay his salary—I knew this man to say of his pastor once that in his preaching he always gave a hundred cents on the dollar. You see our friend was so accustomed to measuring market values that he couldn't speak of spiritual values except in dollar terms.

Now let me recapitulate, for these things must be kept in memory all the time. The uplifted little finger stands for money, a mere business medium, and its terms a language of business values. The uplifted third finger stands for free competition, the motor force of the business mechanism. The middle one reminds us of the business law that every worker produces his own wages. The index finger stands for the law of demand and supply in business interchanges. The uplifted thumb represents the underlying reason for business, which is the natural human tendency to seek the satisfaction of desire with the least effort.

These elementary principles are common to all kinds and grades of business, and without an appreciation of their value the technical laws of particular businesses become a hotch-potch of unrelated formulas. But don't forget, Doctor, that business has pathological conditions. If you do, you will find yourself quarreling with natural laws, either denying their existence or else wrenching them out of shape—trying to, that is, for in fact you can't do either—you will be quarreling with natural laws, I say, instead of removing unnatural obstructions whenever things go askew, if you forget that business may have pathological conditions. Some business men, and I am not so sure that I couldn't rightly say most business men, study to get the most by least effort, not by improving business methods in the direction of the general good, but by preying upon their fellows. Some institutional—oh, bother, here I am again talking pathology when we are still on the health side of our subject. The fact is that business is so saturated with monopoly poisons, the business mechanism is so clogged with monopoly obstructions, that it is difficult to ignore what I have called its pathology

long enough to get a clear preliminary apprehension of its normal processes. But it is possible, and I must try to do it, although I hope you will be interested in a special discussion of the organic pathology of business before we drop the subject.

What I have tried to do to-day, and with as few departures into pathological fields as I could help, has been to consider the mechanism of social service as it would be if its normal processes were undisturbed by fraud, or coercion, or oppression of any kind, either personal or institutional, either criminal or legalized. We must consider it first as if the competitive forces were free to exert equal pressure on all sides of every swap, somewhat as the air does on all sides of physical bodies in equilibrium. If we do that, we shall see that normal business is the social service art of satisfying the desires of each with the least effort of each, and shall be able all the better to understand pathological symptoms.

This art comprehends the mechanism, the processes, the movement, the orderly activities, of the social service market, of which I have frequently spoken in these talks of ours. As it revolves about the systematic trading of objects of more or less general desire, I am going to ask you to let me talk to you, when we meet again, about trading and its profits; and after that about the circles of trade; and then about credits and accounting; after which we might look over the mechanism of social service as a whole for disorders and derangements to account for its eccentric motions and defective results. Oh, no; not at all; no, no, I don't intend to talk about it in any technical way. That wouldn't be necessary for our purpose, and I shouldn't be competent if it were. But we could talk sensibly about the uses and general characteristics of a locomotive, couldn't we, without knowing the difference even between a

valve and a piston? So we can talk sensibly about trade, I take it, without knowing a thing about particular commodities, or values, or prices, or qualities, or crops, or rates of exchange, or economies, or other mysteries peculiar to particular businesses. What we need to understand is the general modes of trade in effecting the purposes of business, which is the proper shaping and convenient placing of commodities for the satisfaction of human wants in an economical manner.

CHAPTER VIII.

Trading.

Doctor, do you remember those trips "over to town" that we used to make with my grandfather when we were boys, usually in the old truck wagon, sometimes on top of a moving mountain of hay, and in the truck body on bob-sleds when sleighing was good? We bothered grandfather a good deal with our irresponsibility and antics on those trips, and he would talk about us afterwards to your father down in the shoe shop, don't you remember? as "mis*chee*vous young imps." But he liked to have us with him all the same. He no more wanted to miss the chance than we did. And don't you recall what he used to say he made those trips for? I do, perfectly. He would say, "I've got to go over to town to-morrow to trade; may be you boys want to go along?" May be! I reckon we wanted to go along. But that isn't the point. What concerns you and me just now is the reason grandfather gave for going. He went "over to town to trade."

Now, what did my grandfather mean by that? Why, he meant that he was going to take to town some of the products of our farm and swap them for other social service products gathered and stored there from all over the world. In other words, he was going to get the wages our folks wanted and had earned, by exchanging the things they had made for that purpose. Sometimes he took over a load of hay, at other times a load of apples, at others bags of grain, once in a while corn on the cob. And now and then, you know, grand-

mother would go along with butter and eggs. No doubt you remember how we used to come back with West India sugar, and New Orleans molasses, and New England codfish, with cotton for quilting and muslin for shirts and sheets, with calico and coffee and tea, sometimes with a bit of furniture for the parlor, or a bolt of cloth for clothing, and at long intervals with a load of anthracite coal for the sitting room fire. Mind you, Doctor, there had been trading "over to town."

Doesn't the recollection of those trips bring up to you a vision of the vast field over which that trading must have spread? Can't you see bold sailors on wild seas, and brave miners at work deep underground? Can't you imagine the iron horse cutting across country in all directions, and the competing canal boat floating slower than a snail's trot along the artificial water ways that threaded mountain and valley? Don't you see the black slaves on Southern plantations, and the white serfs in European fields? Doesn't it make you think of noisy factories and busy stores, of thriving towns and cities of wonderful magnificence? Doesn't it recall the wood cuts that we used to dream over in our old geography, those wood cuts that suggested so many different ways of working, all so wearisome that we envied nobody but the head worker who sat in the shade and drank something cool? No, we didn't think then of what was involved in those little journeys to town, but we can now. Don't you see that they meant trade, trade, trade—the wide world over? When grandfather went "over to town to trade," he came in touch with the social service of the world. As a social servitor, he entered into economic intercourse with millions of other workers—and some parasites.

Farmers do their trading somewhat differently now-a-days, I make no doubt, than when you

and I used to go to town with grandfather to trade; but not any differently in principle, I guess. No matter how farmers do their trading now, they still trade farm products for a share of the big world's products from out beyond their farms. That is, they swap their own social service for the social service of others, just the same to all intents and purposes as my grandfather did when he took us with him "over to town to trade." And they do it now at stores, too, just as he did.

May be the stores aren't run in quite the same way in all their details, but they are stores all right enough. About the only difference is that grandfather's trading was more a matter of direct barter than the trading of farmers now. He traded his hay at the railroad station for coal, his apples at the distillery for cider, his grain at the flour and feed store for flour and feed, or at the general store for groceries and other household supplies; and with her butter and eggs, grandmother bought calico and muslin and coffee and tea of Slim Jim Pulsifer from across the swamp. You remember Jim. He was ambitious to be a merchant, and had become a regular store clerk who worked now without taking off his coat. He had got to be quite genteel, don't you know? and would hand out a stick of candy to you and me with real mercantile grace. None of those old store swaps were exact offsets, to be sure, but mutual accounts were kept, and at settlement time there was seldom enough difference either way to make it worth while to do more than carry the balance over to the next year. There is doubtless more specialization now in storekeeping in some respects, and more generalization in others, and mutual accounts may be much less common, while cash payments either with money or checks are the regular thing. But in principle, don't you see? trading goes on as it always has since social service

ushered in the dawn of civilization, and as it always will while social service lasts.

Some way, some how, some where—if not "over to town," then at the village, or the hamlet, or in the barn, or by the roadside, or "down to the city," or across the street, or around the corner, and if not by direct barter then by some form or other of buying and selling and incidentally of giving credit and taking credit—in some such way, the social servitors of the world will always trade their various specialties one with another, paying tribute in "surplus" service to social parasites if they have to. But tribute-paying is pathological, you know, and we'll pass it for the present, with only that casual allusion. Such differences, Doctor, as have occurred or may yet occur you will find upon examination to be merely improvements in trading, and not substitutes for it. Trading is natural with mankind—as natural as nest building with birds or dam building with beavers. Man is the trading animal, you know; and as he is also the inventive animal, he is forever improving his trading methods as he improves everything else.

And so we have systematic trading, constantly developing in its methods along the lines of greater and greater economy in accordance with the law we have talked about and tried to remember by associating it with my uplifted thumb—the law that man seeks to satisfy his desires with the least exertion. Not systematic according to artificial rule and formula, you observe, like grandfather's pernicious system of getting up at daylight and going to bed at dark, nor the system of eating meals at a particular hour, or of taking your toddy at "just about this time of day" if you are a toddy taker; but systematic as a sort of automatic result of the interplay of individual desires for social service groping for the natural line of least

resistance, seeking out the path of greatest economy. Trading was more systematic—that is, it was more economical—when grandfather used to take us "mis*chee*vous imps" with him on his trips "to town to trade," than it had been when he was himself "a mis*chee*vous imp;" and now it is more systematic, more economical, than ever; but all the time it has been essentially the same thing—voluntary interchange of individual services in the social service market.

When grandfather went "to town to trade," he did his trading at stores. He didn't call all his trading-places stores, though; one was a coal yard, another a distillery, another a tannery. But stores is what they all were in fact, even though in some respects they were also something else. For things were stored there in readiness for delivery as needed. To-day some stores are called shops, though nothing is shaped in them and they are just stores. Bob Blissert, you remember, used to keep a tailoring shop. He made clothes. But he didn't keep a clothing store. You couldn't get a suit of clothes of him without being specially measured and waiting two or three weeks until he had shaped them in his shop. But Baldwin down there at Canal and Broadway, he kept a clothing store. You could go into his place at any time, and walk out in a few minutes with a finished suit of clothes under your arm or on your body.

A store is a place where social service products are gathered in readiness for convenient and immediate delivery. There are many kinds, as you know—grocery stores, clothing stores, furnishing stores, hardware stores, department stores, and so on—but they all classify into two general kinds: wholesale stores and retail stores.

Wholesale stores are intermediate reservoirs of unfinished commodities in various stages of finishment, from the first stage beyond raw material,

like a wool warehouse or a grain elevator, to the commodity that is so far finished, like coats or loaves of bread, as to need nothing more done to it than, first, to be transported to a retail store convenient to the consumer, and, second, to be delivered to the consumer when he calls to buy it. The retail store is to the wholesale, somewhat as the faucet in your house is to the water reservoir. I have said that before, but it is worth saying again. It is a place for the release of commodities that are finished in every particular except delivery.

It was at retail stores that grandfather did his swapping when he went "over to town to trade" his produce for his wages; and it is at retail stores always as a rule that social servitors collect their wages by buying the things they want for consumption with the things they have made, or their share in the things they have helped make, in production.

The history of the evolution of the retail store? Oh, I don't know, Doctor, as anybody can tell you that. I doubt if any one can without pretending to know a good deal more than he knows. But the probabilities are very simple.

Evidently storekeeping is not a primary occupation. If each man supplied all his own wants by the direct application of his own labor to his natural environment, he would have no use for any storekeeper besides himself nor for any other store than his own cave. Storekeeping is one of the functions that are generated by the human tendency to trade; it is an organ of the social-service organism.

When men specialize their work, each making only part of the things he needs, trade is absolutely necessary. There's no doubt about its necessity, is there? even if we dispute its being a human characteristic. If one man who wants food, cloth-

ing and shelter, and now and then something in the way of luxury, devotes himself wholly to food-making, or to a special kind of food-making, or to a special stage of a special kind of food-making, the only way in which he can obtain all the kinds of food he wants, as far finished as he wants them, and at the place at which he wants them, together with the clothing and shelter and luxuries that he also wants, is by trading his own products in large quantities for the other things in small quantities. Isn't that true? Very good. Inasmuch, then, as civilized work is intensely specialized, each worker finishing nothing, but contributing over and over in a special way to finishing something, trade is necessarily a universal phenomenon of civilized life.

We all live by trading, don't we? And but for trading we should be living pretty primitive lives, shouldn't we? And the more extensive and intensive our trading, the more effective our economies and consequently the possibilities of civilization. Isn't that so? You agreed to it at the time we reflected upon the lesson of our swapping of letter carrying for live-bait fetching when we were on our vacation in the mountains.

But the natural conditions of trading do not permit each maker of one thing or part of one thing to trade his product directly with the makers of the products he desires for consumption. Various devices, therefore, come into use to facilitate trading; and storekeeping is the most fundamental logically, whether it was the first historically or not. The storekeeper makes a business of collecting at one point in a neighborhood all the different kinds of things, wherever in the world they may be made, that are ordinarily required by the people of that neighborhood. And in this all sorts of transporters help him. He collects those things at that point, in the quantities

and at the seasons that best enable him to accommodate local wants; and he trades them upon demand for the limited variety of things which the people of that neighborhood make.

That is the way it was done in grandfather's day, you know; and if it is not done exactly so now, you will find that the difference is only one of specialization. That is, whereas the storekeeper "over to town" in grandfather's day took produce in exchange for store goods, the business is so broken up now that the buying of produce is done by one kind of storekeeper, and the selling of store goods is done by another. One department of trade has been divided into two. This is the more usual form, though truck stores survive in places. So storekeepers who sell store goods may take money now, or checks, instead of produce from customers, leaving the customers to get their money by selling their produce to buyers. But this is all matter of form, and form makes no difference. The essence of the thing is that the world-wide system of storekeeping enables the makers of particular things or particular parts of particular things anywhere, to trade them everywhere for the things they want to consume. It is a system, that is to say, which brings the whole civilized world together in trade.

Such are the uses of storekeeping, and mighty good uses they are, too, Doctor, barring the taking out of tribute through the creeping in of monopoly. But that is pathological, so let us go on for the present with storekeeping as it would be were there no such disorder.

If we imagine a hamlet at a distance from a trading center, we can see that as its needs grow a retail store will come there. It will come under the law of human nature that we ought to be pretty familiar with by this time—the law of the line of least resistance, you know, that we have as-

sociated with my uplifted thumb: the law that men seek the satisfaction of their wants with the least effort; the law of human economy. At first everybody would have to go a long distance "over to town to trade," and that would require so much effort that neighbors would fall in the way of doing trading-errands "over to town" for one another. Then they might join in hiring some one especially to do these errands for them—a carter, say—when the hamlet had grown enough to make that device economical. After a while the carter might get into the habit of buying some of the more staple articles which from experience he found that the little community most certainly would demand, and keep them in store, selling them as they were wanted and charging a profit, instead of going for them especially and charging wages for the trip. The profit without the trip would pay him better than wages for the trip, and yet it would cost the consumers less. Somewhat after that fashion, Doctor, I take it, would be the beginning of the retail store in that community.

Of course the details of its evolution might be very different. A peddlar, for instance, might see the opportunity for serving that community better and with more profit to himself by setting up a retail store there and keeping goods constantly on hand ready for consumption, than by coming around with such goods at intervals. Any one of a thousand other possibilities might produce the result, but the result would be essentially the same. Whatever the details of the evolution, the store itself would come in response to some of the laws we have already been over and which I enumerated in a kindergarten way on my fingers to help you remember them—see: men seek to satisfy their desires with least exertion—thumb; the direction of demand for service determines the character of supply of service—index finger; com-

petition discloses and measures this demand better than a committee or a mass meeting could, and with greater or less accuracy and fairness all around as competition is more or less free—skip the middle finger and think of the third.

As soon as it is easier, more economical, for any community as a whole to buy of a local storekeeper than to go or send "over to town to trade," paying him a profit, or higher price than he pays "over to town," or "down in the city," just so soon will the retail store come into that community in the natural order. It may come sooner, through misjudgment or from cut-throat competition; it may not come so soon, through misjudgment or obstruction. But as water runs down hill, even if it has to surmount dams to do it and is thereby delayed, so will the retail store come to a community that needs it as matter of economy.

In those circumstances the carrier, the peddlar, or some one else who infers potential demand and its possibilities of profit, will be spurred on by competitive impulses to start the store. When he has started it, he will of course charge, for the goods he buys and stores, "all the traffic will bear." Everybody does that, you know. But how much would the traffic bear if competition were really and truly free, if there were no monopolies? Not more than enough to pay him as well for his service as any one else equally competent and faithful would be willing to render that service for? If he attempted to gouge the community, free competition would drive him out, and he ought to be driven out. But if he served the community well, no one would set up a competing store until the community had real use for more than one—if competition were free, mind you, Doctor, if it were free.

Of course, if competition were not free, if mo-

nopolies interfered with the free flow of social service as dams may with a free flow of water, there would be disarrangement of the relation of production to consumption. In that case fellows on the lookout for a chance at cut-throat competition in storekeeping would break in destructively, just as men out of work and looking for chances for cut-throat competition at getting a job—"scabbing," I think is what this is called—are all the time doing. But in the absence of monopoly, free competition would regulate the matter to the benefit of all.

Yes, Doctor, I did say "profits," and I am very glad to have you call my attention to it. I guess you've been talking again with our socialistic friend down the street. He is a good fellow, as you say, and he and I do agree on a good many points; but he is very much addicted to confusing the diverse meanings of that much abused word, "profits." And really there's no worse abused word in the dictionary. One can never safely use this word for purposes of exact expression without explaining precisely what he means by it, and then sticking to his definition.

Frequently "profits" is used to mean "rake-off," and nothing but "rake-off." Persons who use it in that sense denounce profits, as our socialistic friend with whom you have been talking does. So should I denounce profits if I used the word in that sense. But those who use it so forget, just as our friend habitually does, to keep their use of it within the bounds of the objectionable meaning they give to it. They will calmly condemn the profits of the storekeeper, or the manufacturer, along with the profits—well, of the land speculator, for instance—all in the same breath. Yet the profits of the land speculator are nothing but "rake-off." He doesn't do a solitary thing to earn his profits—not as a land

speculator. In this capacity he is no more serviceable than a poker player. But that isn't true of the storekeeper as such, not altogether at any rate, nor of the manufacturer as such. They do earn at least some portion of their profits.

This looseness in the use of the word "profits" is largely the fault of political eonomists who put all profits in one category. Whether the profits are earned, in whole or in part by serviceable work, or are altogether a "rake-off," they make no distinction. This comes probably from the disposition of economists to adopt for exact economic analysis the undistributed terms, and the loose habits of thought as well as speech, of the business man. The term "profits" is a business term. It includes some kinds of earnings and some kinds of business "rake-offs." For mere business purposes, where no distinction is made, or intended to be made, or necessary to be made, between what is earned and what is only a legal appropriation, the word serves well enough; but in economic analysis, or in the forum of morals, or in connection with legal or political reform, the two kinds of things which the word "profits" interchangeably includes and messily confuses, must be clearly distinguished. We must separate so much of "profit" as is truly earnings for service, from so much as is merely "rake-off." Of course you can't put into the same category, in economic analysis, two things so different as earnings and "rake-offs," and then expect to reach sane conclusions. The hunter may talk of "wild game," but that won't do for the naturalist; so the business man may talk of "profits," but the economist and the economic reformer must be more precise.

No one has the right to use the word "profits" in the sense of a "rake-off" without saying so, nor then without confining his use of it to "rake-offs."

Why not? Because, as commonly used in business, the word "profits" means merely the difference between what you sell commodities for and what you have bought them for; and in that sense it includes not only the "rake-off," if there is any, but also the value of the service which the storekeeper renders. We don't want to object to the value of a service as a "rake-off," do we, Doctor?

The New York Herald was once guilty of a gross misuse of the word "profits" in connection with a strike of retail newspaper dealers, mostly newsboys. The Herald had reduced its retail price, but not its wholesale price, and the dealers boycotted it. They said it wouldn't pay them to handle the paper for the trifling profit that remained. Now, what do you suppose the Herald replied to that? Truly, it is to laugh! The Herald seized upon the loose use of the word "profit" which the newsdealers had fallen into, and argued that the dealers' profits had been exorbitant because they were at the altitude of 80 per cent. How do you suppose the Herald showed this? Why, it contrasted what the newsdealers had paid for Heralds with what they had sold them for, and deducted from the difference some cash outlays for newstands, etc. But it left out the item of the newsdealers' earnings. Yet they must have earned something in placing Heralds in the houses of newspaper readers every morning through all the changing seasons of the year and before the readers were out of their beds. The truth is that the 80 per cent profit was wages for work, every penny of it, and not very good wages either.

If that profit had been more than wages for work, and competition had been free in all lines of social service, newsdealers would have had to sell the papers for less than they did. "Rake-

offs" don't keep if competition has free play. No one can long get more than his service is worth, when competition is free. Nor will he long take less. So the profits of the newsdealers in that case must have conformed to their earnings, as profits always must unless competition is obstructed by some form of monopoly. Let me indulge in an arbitrary illustration. The Herald case suggests it.

Suppose you want a newspaper some morning in a neighborhood where there happens to be no newspaper service. You meet a boy and ask him to go to the nearest newspaper store he knows of and buy you one. You give him two cents to buy the paper with, and when he brings you the paper, another cent for his service. Has he had any rake-off? Of course not. Yet a two-cent paper has cost you three cents.

Suppose now that the boy, finding that you want this service regularly every morning, buys the paper with his own money and before you ask him to, and then sells it to you as you come out of your house. He has paid two cents for it, and he charges you three—a profit of one cent. Where is his rake-off in that profit? There isn't any, is there?

But go a little further. Suppose he discovers that a lot of other people in your neighborhood are put to more or less inconvenience, just as you were, by having to resort to uncertain devices to get a morning paper, and he goes to the newspaper store and says, "See here, Mister, how much'll you charge me for papers if I take a hundred every day?" and the storekeeper replies, "A cent apiece." Then the boy's profit would be two cents, wouldn't it? for of course he'd charge you three cents as before, being quite alive, even if he is a boy, to the business principle of charging "all the traffic will bear." But what "rake-

off" would there be in that two-cents profit that there wasn't before in the one-cent profit?

Yes, Doctor, you are quite right; if a profit of two dollars a hundred were really excessive for handling those papers, then there would be a "rake-off" in the profit. But if there were, how long could the boy continue to get it unless he had a monopoly of the supply? Why, just long enough, at the longest, for other boys equally able to render the service and equally faithful in rendering it, to find out how rich a "rake-off" there was in that profit—if competition were free, Doctor; always remember that third-finger point: if competition were free. Those other boys would compete until there was no rake-off left in the profit; until nothing was left in it but pay for the service.

No, that wouldn't be forcing wages down, either. To eliminate a "rake-off" is not to lower wages. To be sure this competition of the boys would tend to reduce profits on delivering newspapers; but it wouldn't reduce them below the earning point—not unless competition were obstructed by some monopoly or other. Wages cannot long be reduced below the earning point, no more than dinners can long be reduced below the living point, unless anti-competitive conditions prevail—that is, monopolistic conditions which obstruct opportunities for social service, thereby making a glutted labor market, and creating a class of parasites who flourish upon legalized "rake-offs."

If a large proportion of people are able and willing to serve in the social service market, yet are prevented by monopolistic conditions, they will work for a bare living rather than starve; and thereby, through cut-throat competition, they will reduce wages below the earning point, and leave a surplus for "rake-offs." But if social

service conditions are not monopolistic, but are freely competitive, no one will compete with another unless the other is getting profits which contain a "rake-off" over and above earnings.

Do I think that ordinary wages are up to earnings now? Indeed, I do not. If they were, how could so many people be living in luxury so long without earning much of anything? Some one has to earn that luxury. But this is pathological. Let us go on with our consideration of the normal.

Under normal circumstances the thing which the word "profit" identifies in business nomenclature, is evidently a form of compensation for work—compensation for a service of more or less uncertain result. Being for an uncertainty, this compensation would be high with a successful outcome, of course, for it would be nothing with an unsuccessful outcome.

If everybody who engaged in social service took his pay according to results, there would be no such thing in business contemplation as "profit." But some men would prefer even under the most normal conditions—I think that I should —to bargain in advance for their share; while others would be willing—I think old Sampson would—to buy those shares in advance and take chances. The incentive to the one kind of person would be the certainty of result to them, though their net earnings might turn out to be lower; the incentive to the others would be an expectation of getting something out of the speculation—the gambling spirit in us, you know. And yet it might not be altogether due to the gambling spirit. An expert in some kinds of production might want to bargain in advance with all the help he needed—buying out their shares in the expected result—so as to be free to utilize his expert abilities without dicta-

tion from less competent persons. And what's the harm, so long as there is no coercion?

If general social service conditions are so far pathological that the sellers of service have to sell in advance whether they want to or not, then you have a pernicious "profit" and "wages" system,—a labor class exploited and an employing class exploiting. But if both buyers and sellers of labor power were really and fully free to bargain on equal terms, there could surely be no harm to anybody in the system of bargaining for service in advance of results, and there might be a good deal of benefit in it to everybody. It would make a "wages" and "profit" system, to be sure, but not a pernicious one.

May be I can illustrate the whole matter with another reminiscence. You remember, don't you, that happy day in the long ago when our farm hands and some of our neighbors went over to Green's Pond together to fish with a net, and took you and me along to drive the fish? Didn't we thrash through the water though; and wasn't it fun to be in there with our clothes on, some of them; and wonderful to see the hauls we made of pickerel and perch, great big ones that you couldn't have fooled into biting at a hook, and horny cats, with an occasional eel, and now and then a good-sized black bass? And do you mind how along toward sundown we put all the catch into piles on the grass as nearly even as possible—a pile for you and me too, each of us,—and how Than Cummins turned his back so he couldn't see the piles, and Fowl Bird pointed toward the piles, one after another while we all looked on, and how Fowl asked for each pile, "Whose is it?" and how Than said, "It's Bill's," or "Big Lewie's," or "Little Lewie's," or "Chris's," or "Uncle David's," and so on?

There were three more piles, you remember,

than there were folks in our party, men and boys all told. One of those piles fell to my grandfather, and I took it home with my own. Another fell to your father, and you took that home with your pile. The third fell to "the man what owned the pond," as we called him when we talked about it on our way home. How well I remember what you said. You weren't a bad political economist in those days, Doctor. You said: "Now it's all right to give your grandfather a pile of fish, because he lent us the team. And it's all right to give my father a pile, because he lent us the net. But why did they give a pile to the man what owns the pond?"

I wanted to know if he hadn't as good a right to one as my grandfather and your father. We didn't either of us question the square deal, you see, of dividing the fish among the men who had helped catch them. Maybe that was because we were only kids. But we both questioned the square deal of giving any to the folks that hadn't helped catch them. Maybe that, too, was because we were kids. Do you remember how you answered me?

You said that we couldn't have got over to the pond without my grandfather's team, and that we couldn't have caught so many fish without your father's net, and so your father and my grandfather helped catch the fish, even if they weren't at the pond in person.

But I was good and ready for you. I wanted to know how many fish we could have caught if "the man what owned the pond" hadn't let us fish in it.

That stumped you, but pretty soon you gathered yourself together and blurted out: "But the man what owns the pond, he didn't make it, and he didn't put the fish into it, and he didn't do nothin' but just head us off from fishing there—or could

have—unless we'd give him some of the fish we caught."

And as we talked it over, you and I, there at the back end of the old truck wagon, chewing wisps of straw thoughtfully as we rode home in the moonlight, and speaking in low tones for fear the men would hear us and make fun of us for trying to think of something serious and sensible, we came to a very wise conclusion. We concluded that those fish belonged to the folks that caught them; and that grandfather caught some because he had helped by lending us the horses he had raised and the wagon he had bought by working as a farmer and trading "over to town" for what wagon-makers had made; and that your father had caught some because he had lent us the net which he had bought of its makers by working as a blacksmith and trading for it; and that "the man what owned the pond" hadn't caught any, because God made the pond and stocked it with fish and hadn't labeled either the pond or the fish with anybody's name or traded them to anybody—but we must give "the man what owned the pond" some of our fish to make him good-natured enough to let us fish in the pond.

We didn't state that sage conclusion quite so explicitly, but the idea was in pretty good shape in our minds and we understood each other about it pretty much as I am recalling it to you now. We might have worked it into better shape even in those days when going a-fishing was our substitute for a trip to Europe; only it seemed to us the next day that may be we must be wrong, for that wasn't the way the grown folks looked at the thing at all. So we threw it off our minds and turned our attention to learning to smoke without getting sick.

Now, Doctor, that fishing experience enables

me to make a pretty good illustration of "profits." Those piles of fish were the "profits" for the day of everybody who got a pile. The pile that "the man what owned the pond" got for letting us fish in it were his "profits." The pile my grandfather got for lending us the team were his "profits." The pile your father got for lending us the net were his "profits." And the pile apiece that you and I and the men got, they were our "profits." But the elements were different in each of those "profits." To use the terms of political economy that you and I afterwards learned under Prof. Rutley, my grandfather's "profits" and your father's were "replacement" and "interest" on "capital;" the "profits" of "the man what owned the pond" were "rent" of "land," and the other "profits" were "wages" for "labor."

There were no "profits" I suppose in the ordinary business sense in that illustration because the transactions were not on a profit basis. But suppose that instead of our making the divisions of fish as we did, my grandfather had "capitalized" the fishing expedition. Suppose he had said to all of us—or to those men, let us say, so as to keep ourselves out of the problem,—suppose he had said to them, "You go down to Green's Pond tomorrow and fish for me, and I'll give you each a bushel of wheat." Suppose he had said to your father, "Lend me your net tomorrow, and I'll return it with a bushel of wheat." Suppose he had said to "the man what owned the pond," "Let my folks fish in your pond tomorrow, and I'll give you a bushel of wheat." Don't you see that the whole thing would have been just the same as it was, except that grandfather would have been taking the risk of the catch, and everybody else would have had a sure thing? If the catch had turned out large, grandfather would have made

a good profit that day, which might not have been as good another day; and if the catch had turned out poor, he would have made a small profit, or maybe none at all, which he might have offset with a luckier fishing expedition later on. But everybody else would have got just so much wheat whether the catch of fish had turned out good or poor.

Now if my grandfather had been free to make that offer or not to make it as he pleased, and everybody to whom he made it had been wholly free to accept it or not, what wrong, or harm, or unfairness would there have been in it? I can't see any.

Of course I could, if those men had been deprived in some way of their equal rights, and instead of making their decision upon the basis of the more or less desirable, had consequently been obliged to make it under coercion. If they had been slaves, for instance, so that they had to catch fish for grandfather on his own terms; or if all the fishing ponds had belonged to men "what owned the pond;" or the ponds had been "capitalized" and the price raised so high by jug-handled competition for ponds that the men couldn't fish at all without bargaining their labor away to my grandfather because he had the "capital," which they had not, to enable him to bargain with the pond owner; or if for any similar reason they had been compelled to accept my grandfather's terms or go without food or worse,—why, to be sure, in any such case, there would have been harm and unfairness in the thing in plenty. But such a condition would be pathological.

Normally, it makes no difference to any one but their individual selves, on what terms men co-operate in social service. Whether they divide results among themselves after the results

are known, in which case there would be neither "profits" nor "wages" in the technical business sense of those terms, but only shares divided communally as we divided the fish at Green's Pond; or whether some sell and others buy in advance of results by paying what business men call "wages," and making or losing what business men call "profits," concerns only the bargainers. Be it either way, and yet every co-operator in social service would get in the general round-up approximately neither more nor less than he earned —provided, of course, that competition were not seriously obstructed by monopoly any where in the interlinked circles of trade.

In my opinion the "profit" and "wages" system in those free conditions would be better for all and fairer for each than any attempt at arbitrary organization of a system could possibly be. But I confess, Doctor, that I can't see any farther into next week than the next man. So my opinion on that point may not be sound. Of this, however, I am sure, that competition must be freed from monopoly throughout the whole extent of the circles of trade, in order that the best and fairest system of co-operative industry—whatever that system may prove to be, whether of normal growth or arbitrary construction—shall have opportunity for development.

CHAPTER IX.

The Circles of Trade.

In these confabs of ours on the mechanism of social service, I have said a good deal, Doctor, about retail stores. But you must have realized the necessity for it by this time. Isn't it pretty clear to you now that there are two points of individual contact with the mechanism of social service—the place at which the individual servitor works, and the place where he gets his pay—not his money, of course, but the things he has really worked for and which he may buy with his money? The place where he gets his pay, his real pay, is the retail store as a rule. But you must consider, my dear Doctor, what I mean by retail stores. I mean not only the places that we call by that name, but also all other points of delivery for final consumption, for final use.

In retail stores the service to customers is usually paid for in the form of profits, a subject that we have already been over. But whether paid in profits or in some other way, makes no difference to the matter that I want to awaken your reflection upon now. The point here is that retail storekeepers, persons who really participate in the management of retail stores in any way or to any extent, are in that way and to that extent social servitors.

It has come handy to me several times to liken retail stores—those places for the accumulation of commodities for, and their delivery to, consumers—to the faucets in our houses. As these release water from service pipes into which it flows from reservoirs in a continuous stream—release it just

when and where we need it,—so do the retail stores release commodities. Please keep the crude simile in mind, and I will try to outline the mechanism of social service, back from the retail stores—the faucets of the social service supply—through the service pipes such as delivery wagons, and the big mains such as railroad trains and ships, and back through the reservoirs that we call wholesale stores, and the filters that we call factories, to the uttermost sources of supply.

We can assign about all the things that men either produce or consume to four classes: Food, Clothing, Shelter and Luxuries. Doesn't that strike you as a rational generalization? Yes, we might add a fifth class, so as to include your profession and mine, and also clergymen, actors, teachers, barbers, and others who serve directly instead of making or handling commodities for us to buy at stores. Suppose we distinguish this class as Personal Servants.

Just imagine, now, that the Personal Servants tap the commercial reservoir for Food—all of them and for all the food that is supplied. We'll talk in this wholesale way at first, for simplicity. The actual details are very complex and we must first make a short cut to the principle. By supposing that all the Personal Servants demand all the Food supply, we are not departing from the principle; we are merely simplifying by arbitrary illustration. Very well, then, imagine that the Personal Servants tap the commercial reservoir for Food. You know how they would do it. It is the only way. They would buy food at retail food stores—would turn on the food faucets. How they pay for it makes no difference yet. We'll come to that by and by. For the present we may suppose that they give money, or checks, or notes, or have the items "charged." Upon their demand food would flow out to them from the retail food stores as water

flows from a water faucet. If you want a concrete instance, something actual instead of imaginary, think of the restaurant of our friend Joseph where we began our talks on this subject last Summer. While grocery stores yield some kinds of food in certain stages of finishment, and butcher stores other kinds, the restaurant or the hotel or the boarding house are stores for the delivery of finished food, of food on the table and ready to eat. So let us suppose that it is to restaurants and hotels and boarding houses that our Personal Servants go for the Food they demand—to the places, that is, where they can tap the social service reservoirs for finished food.

Now, Doctor, what would be the effect of this flowing out of Food from the retail food stores? Never mind whether it all goes out or only a part. What would be the effect in either case? Why, that's no riddle. In greater or less degree according to the demand, the supply in the retail stores would be lessened, wouldn't it? Of course. And what do you think the retail storekeepers would do then? Wouldn't they send to the wholesale stores to renew their supply? Isn't that what they do in fact? And what are the wholesale stores for but to respond promptly to this demand? But when they do respond, their stock also runs low, doesn't it? And where do they turn to renew their supply? Must be to the factories, mustn't it? And then what do the manufacturers do as they find their stock running out to the wholesale stores? How do they restore it? Don't they manufacture more commodities of the kind that have gone out? To be sure. But how? Why, they have to call upon material men, and machinists, and factory workmen; and these in turn call upon other material men, and other machinists, and other factory workmen, and miners. So, all along the social service line there is in consequence of the demand

of the Personal Servants for Food, a depletion of all the accumulated stores of food and food-making materials, and of machinery; and a demand for every kind of service that enters into the transporting of food and food materials and machinery, and for every kind of service that the renewal of the supply of food and the manufacturing and transporting of food-making machinery requires.

Don't you see the almost perfect analogy to the water reservoir? The Personal Servants, when they turn on the Food tap at the retail stores, take food already there. This is finished food. That is, it is food finished ready to eat, as at the restaurant, for instance; or else finished ready for home preparation, as at the family grocery. But when that food flows out from the retail food stores, it makes way for the food in the larger reservoir, the wholesale stores, which is pressing toward the retail stores, as water in the reservoir presses toward the outlet at the faucets to flow into its place. And when the flow proceeds from the wholesale stores, it makes way for food finished in the factories and pressing toward the wholesale stores to flow into them. And as finished food goes out of the factories, the unfinished food in various stages of finishment presses forward, just as water in the streams does, don't you see? and this makes way for food materials to press into the factories. And so it flows through transportation agencies, railroads and wagons and boats, from farm, and ranch, and mine, and forest, and quarry, and sea, back from the uttermost limits of food supply and machinery for food supply, and from the natural source of all, this blessed old planet of ours.

Why, Doctor, the demand of Personal Servants for Food at the retail food stores, is a demand to that extent for all the social service of the civilized world which is concerned in producing food and the artificial instruments of food production. It

tends to make a steady stream of Food from old Mother Earth, over old Mother Earth, into the wholesale stores of the world and thence to the points of retail delivery. To classify completely the service affected would necessitate the cataloguing of all industries that either directly or indirectly contribute to maintaining the flow of food, and the naming of every grade of workman from newest apprentice to supervising employer, and from bank clerk to farm hand. What Personal Servants really do, therefore, when they buy Food at food stores, is to direct the expenditure of labor to the production of the kind of food they demand. Don't you recognize our index finger law? The direction of the demand for service, you know, determines the character of the supply of service.

Yes, Doctor, this is a very crude illustration. I warned you of that when I began to make it. It is crude because it aims by simple and arbitrary particularization to illustrate processes that are bewilderingly complex. It is an effort to simplify our conception of the circles of trade, which are so interlinked, each with millions upon millions of others, that illustration is impossible except in some such crude way as I have adopted. But let us go on with the illustration a little farther; maybe its significance will clarify as we proceed.

Clothing is needed, you mind, as well as Food. Let us suppose, then, for simplicity, that the Foodmakers alone demand Clothing, just as for the same purpose we have supposed that Personal Servants alone demand Food. Then the claims for compensation which the Personal Servants had passed over to the Foodmakers—the money, or the checks, or the book accounts, or what not, don't you remember?—would be passed on by all classes of Foodmakers and foodmaking machinery makers, and food transporters, to the retail clothing stores,

and Clothing would consequently flow out from those social service reservoirs to Foodmakers, just as Food had flowed out to Personal Servants. And don't you see, let me ask you right here, that in the general round-up the Foodmakers would have swapped Food for Clothing? Foodmakers of all classes, from ploughman to journeyman baker, would have had their wages. Oh, yes, certainly, provided there was no "rake-off;" I am assuming that. Now, in consequence of the lowering of the accumulated supply of Clothing, a process similar to that we have already considered with reference to Food would set in with reference to Clothing. The reduced supply in the retail clothing stores would be communicated back in further demands for clothing, and clothing material and machinery, from retailer to wholesaler and thence to manufacturer, and so on to the uttermost limits of the natural and the social service sources of Clothing supply. It's the simile of the reservoir over again, don't you see? Clothing, and clothing machinery, in all stages of finishment, clear back to the untouched raw material in the earth, would move forward when the finished Clothing was taken out at the retail stores, just as water moves forward when taken from the faucet, just as the food supply in all stages of finishment moved forward when taken from the retail food stores. Our index-finger law again, don't you see, Doctor? The direction of the demand for service determines the character of the supply.

And now what shall the Clothingmakers—consisting of all the social servitors of the civilized world who contribute to the making or the transportation or the storing of clothing and clothing materials and machinery—what shall they do for their pay? They have had the money, or the checks, or what not, which the Personal Servants gave to the Foodmakers, but these things are not

the pay they want. They want social service, in the form, let us say, of Shelter. How will they get it? Why, they will tap the faucets at the retail shelter stores.

Never heard of a shelter store? Well, that shows that you didn't pay strict attention when I explained that retail stores are the points of delivery of goods for consumption, whether usually called stores or not. Any man who keeps flats, or tenement houses or dwellings of any kind, for sale or to rent, keeps a retail shelter store. No, not those who rent business buildings or offices. Such shelter is like machinery. It is used to produce things for rendering social service with, and not for consumption in the enjoyment of social service. What are wholesale shelter stores? They are the stores to which Sheltermakers go for building materials and tools and machinery.

Well, now let us suppose that the Clothingmakers take their pay in Shelter. Then doesn't the same thing happen to the shelter supply that happened to the clothing and the food supply? It runs low, don't you see? and that creates a demand for further supply, which pulsates back from the dealer in dwellings all through the building industries to the uttermost limits of the natural and the social service sources of Shelter supply.

If now the Sheltermakers take their pay in Luxuries, and the Luxurymakers take theirs in Personal Services, this imaginary circle of trade, which I have used for simplicity, is complete. The social servitors that we have distinguished as Personal Servants will have paid for the Food they took out of the social service reservoir, by serving the Luxurymakers. The latter will have squared their accounts by serving the Sheltermakers with Luxuries, who will have squared theirs by serving the Clothingmakers with Shelter; these in turn will have "made good" by serving the

Foodmakers with Clothing, and the Foodmakers will have done it by serving the Personal Servants with Food. If the transactions were effected by means of money, the money will be back in the hands of the Personal Servants who originally gave it out for Food; if by checks, the checks will all have been cancelled; if by open accounts, the debit side of each account will be balanced on the credit side. Each class will have put into the social service reservoir an equivalent in service in the line of one general specialty, for what it will have taken out in the line of another general specialty. And so we have an imaginary circle of trade.

Now, Doctor, if you will substitute individual specialists in social service for our five classes, you may easily imagine what each individual causes in the circles of trade when he buys commodities at a retail store, or pays for a personal service, such for instance as the barber or the bootblack may perform. He lowers the supply of commodities in the store, or enables the barber or the bootblack to do so; and the news of this lowering of supply is communicated back through all the channels and circles of trade to the uttermost sources of the supply of those commodities, and of all the machinery used to make, transport, store and deliver them. The only difference between my imaginary circle of trade, which you have circumnavigated with me so laboriously and patiently, and the real circles of trade, is that that was one simple circle, whereas they are manifold and multiplex. But my arbitrary illustration holds close to the main principle, which, as I have often reminded you, and now remind you finally and for all, is much the same as in the distribution of water in cities—the retail store standing for the water faucet. That is to say, the retail store is the place in the mechanism of social serv-

ice where each servitor gets his real wages, the kind of social service that he has worked for. He pours into the social service reservoir, whether as supervising employer or hired workman, the service he can render best; and he takes out at the retail store the services that he wants most, to the value of the service he has put in.

Here we have, don't you see, an exemplification of our middle-finger law—the law that every one who consumes products of social service, and who pays his way in the world with service of his own, virtually produces the things he consumes? If I buy a cigar with ten cents that I have got for my work, don't I virtually make that cigar? No, not that identical one, for it was made and ready for me before I earned my ten cents. But when I take that cigar the dealer has to get another in its place to keep up his stock, and so cigar making is influenced all the way back by the exchange of my work for that cigar. When you think of these circles of trade as in continuous motion, you must see that the workers keep them going by the constant action and reaction of production and consumption. The circles of trade are constantly revolving circles of service, interlinked with infinite complexity. Trade consists at the bottom in exchanges of service, of work, of labor, of human effort.

No, not always exchanges of labor, for there are parasites. But it is at the retail stores, also, that the parasite, the man who has a "rake-off" of some kind, whether through lawless theft or lawful privilege, gets his—I had nearly said "wages," Doctor, but it is wages only in the sense that sin has "wages," and as I am talking about interchanges of social service, I guess I'll call it "plunder." No offense, you know, even if it does hark back to those royalties of yours for allowing men to work in one of God's coal deposits.

But I mustn't get off into pathology, not for the present. Here we are once more up against the phenomenon of value, don't you see? for trading of social services is done in the language of quantities, qualities and values. We have already talked about what value is, but we meet it now in the practical processes of the mechanism of social service. Don't you see how it serves to regulate production? It advises the social servitors in each department of social service, through their price lists, of the demand and supply of products in their several departments of service. Rising value indicates a falling supply, or a rising demand. Falling value indicates the reverse. If without a rise in the labor cost of their production, the value of a class of labor products rises, the dealer knows that his output is below effective demand; if it falls, he knows that his output is in excess of effective demand; if it remains steady, he knows that supply and effective demand are at an equilibrium.

This is a result of competition. When competition is free of monopoly obstructions, it works as faithfully, through variations in value, in indicating alterations of demand and supply, as the thermometer out on your porch reports changes in heat and cold. Yes, "corners" may make a disturbance, but "corners" are pathological. You can't do much with a "corner" unless a legalized monopoly helps you out. This is a discovery that more than one man has made to his sorrow by matching a corner against competition in a market where freedom of trade wasn't shackled too tight.

John Stuart Mill says that values are raised or lowered by "the higgling of the market." But this "higgling" is not at the retail stores, not very much, at any rate, except as we may speak of the advance and recession of demand as "higgling." Too many collateral influences may affect retail prices to make them a barometer. The amount

of any purchase is usually so small that "higgling" over the price could hardly save enough to be worth the effort. Or it may be that pride dictates patronizing an expensive retail store because it is fashionable. Then, again, we sometimes patronize expensive retail stores because their reputation is a guarantee of the quality of goods of which we have little or no expert knowledge. At the wholesale store, however, "higgling" is reduced to an art—the art of getting the most for the least, on the one hand, and of charging "all the traffic will bear," on the other. Here the wholesaler's art in selling is pitted against the retailer's art in buying. The same thing occurs when wholesaler buys of manufacturer, except that here the wholesaler practices the buyer's art. Reflect a moment and you'll see. Though you or I might now and then pay fifteen cents for a cigar at the retail stores, a cigar that we ought to get for ten, no cigar dealer will pay $1,500 for a quantity of cigars that he ought to get for $1,000. If he did, he would soon be out of business. So "the higgling of the market" is in the wholesale transactions. Yet retail transactions do affect values. If retail prices are high, the general force of retail buying weakens, and this force perpetuates itself throughout the circles of trade to the uttermost sources of supply; if they are low, it strengthens retail buying, with the effect of stimulating activity throughout the circles of trade.

Well, if I haven't said anything about stock exchanges, boards of trade, and so on, it is because they are mere details in the general scheme, mere cogs in the mechanism of social service. They are market places, the modern substitute for what the old lawyers called "markets overt." Our forebears would take their products to market on market day and swap them. We take cattle to the stock yards, where brokers dispose of them for us

in open market; or oil to a pipe line, where it is emptied into a reservoir, and we are given an oil certificate, which transfers title to oil by passing from hand to hand; or we put our grain into an elevator and get a grain certificate which is dealt in at the board of trade; or we buy railroad stock, thereby securing an undivided interest in the machinery and the land belonging to a railroad, and this certificate is dealt in on the stock exchange. Of course these 'Change transactions furnish opportunity for gambling. Most men can hardly see two flies crawl up a window pane without wanting to bet which'll get off the pane first. But after all, this gambling on 'Change, so they tell me, has a sort of balance wheel effect on legitimate trading. At all events the great volume of transactions on 'Change, take the year through, does facilitate the legitimate activities of the circles of trade. But this is part of the technicality of a business not our own, Doctor, and perhaps we may not very clearly understand it. Nor do we need to, for 'Change transactions can do nobody any harm at the worst, except those who engage in them, so long as monopoly is not allowed to enter in. If the use of exchanges and boards of trade is monopolized, then they may be harmful to the general community, just as any other part of the mechanism of social service becomes harmful if monopoly chokes the circles of trade. But not otherwise. The thing we need to keep our eye on is not the particular technicalities of any special business, but its freedom. So long as the business is free, we need have no fear. Competition will make its votaries behave themselves. But if monopoly comes in anywhere, competition is to that extent weakened, and the rest of us are put at the mercy of the fellows who are "in on the ground floor."

The one great principle to be kept constantly

in mind is this, that the circles of trade, the movements of business, under free competition, are determined, and the mechanism is operated, by the ebb and flow of general demand for particular services. Business is co-operation in general activity—world-wide division of labor in working harness.

CHAPTER X.

Credits and Accounting.

When I gave you my crude illustration of the circles of trade, I injected the remark, if you remember, Doctor, that it made no difference how the buyers at retail stores paid for what they got, because the whole affair was in the end simply a matter of service for service. And it really didn't make any difference in that connection. But as part of the mechanism of social service, the mechanism of payments is highly important. Maybe I had better call it the mechanism of intermediate payments. For ultimate payments are, of course, the services desired and which are received in exchange finally for services rendered. In connection, then, with the mechanism of intermediate payments, we ought to realize how buyers at retail stores pay for what they get there, and how retail storekeepers pay wholesalers, and how these pay manufacturers, and how manufacturers pay material producers, and how all pay transporters, and how employers pay employes, and so on, back and around and in and out, through all the intricate windings of the whole complex system of the multitudinous circles of trade.

Money is a factor, of course. But in the last analysis the mechanism of intermediate payments is altogether one of credits and accounting. Even cash payments fall into that category, as the cash account of any double-entry ledger will illustrate pretty well. Isn't cash always debited with its supposed value, just as any person to whom you give credit would be? and isn't

cash always credited with the value of what it pays for you, just as a person is who pays you what he owes? What does all that mean, but that cash transactions are only forms of credits and accounting?

To get an apprehension of the interlinked phenomena of credits and accounting, suppose we look a little into the probable development of the mechanism of what I have distinguished as intermediate payments in the circles of trade.

The simplest trading of which we can conceive is just barter—pure swap. That is evident. But if pure swaps were the only kind of trading there wouldn't be much trading; no, nor much civilization, either. Trading would be too cumbersome, too clumsy, too much retarded by friction. Anybody who wanted to swap—well, it makes no difference what, only so it is simple enough for illustrative purposes—say, an apple for a pear, would have to find some one who not only had a pear that he wanted to swap, but who wanted to swap it for an apple. If he could find no such person, but did find one who had a pear which he wanted to swap for a plum, intermediate swaps would be necessary. The owner of the apple might be obliged to swap it for a peach, and the peach for a quince, and the quince for an orange, and the orange for a plum, in order to procure the only thing for which the man with the pear would part with it.

That would be pretty troublesome, Doctor; don't you see it would? and not very conducive to specialization in social service. But don't you also see that no matter how many intermediate swaps occurred, the essence of the transaction would be the same as if there had been a direct swap of an apple for a pear? The necessity for those intermediate swaps would have been obstructive. Like a wide river, or a high mountain, or a broad ocean,

or a protective tariff, it would have served only to make swapping difficult. Pure barter, then, is subject to a degree of friction which would tend to prevent the development of specialized service by jamming down an automatic brake upon the circles of trade with greater and greater pressure as they tended to superior and more general usefulness. Just as labor tended to divide and subdivide, and the circles of trade consequently grew more and more complex through more and more minute specialization of service, the inefficiency of pure barter for placing products where they were most desired would inevitably operate—don't you see it would?—as an obstacle to the extension of social service.

But with the introduction of currency, this friction would be incalculably diminished. Don't you see that also? The man with an apple who prefers a pear would no longer be under the necessity of either hunting for a man with a pear who prefers an apple, or of carrying forward a series of intermediate exchanges until he finds a plum which the other man will take for his pear. All he would have to find would be some one who would give him currency for his apple, and then to offer that for a pear; whereupon the man who sold his pear, which he really didn't want, could go out and buy the plum, which he did want. But this transaction is the same in its results, you see, as the simplest possible example of pure barter. An apple is swapped for a pear, and a pear for a plum. By means of currency, then, all the benefits of pure barter are obtained in a complexity of extensive trading; but with the friction generated by that complexity as completely avoided as if there were but one simple swap between two neighbors.

Sellers of a commodity take currency, you remember, not because of any inherent quality of

the material of which it is made, but because, for some reason or other no matter what, they are confident that other sellers will take it in turn. By common usage it is a certificate of the possessor's title to any commodity in the market, of a given value, that he demands. Consequently, whoever parts with a commodity for currency, has made but half a trade. His trade is not complete until he parts with the currency for the commodity he really wants. Then, and not until then, does he give what he desires the less for what he desires the more, which is the essential principle and impulse of trade, the principle in harmony with which each party to a trade receives greater value than he gives.

And you will not forget, Doctor, will you, that the value of the material of which currency is made is not of the slightest importance, except as it may affect confidence in it as a dependable title to commodities. It may be of material equal in value to its denomination, or it may be of material of lower value, or of no value at all. So long as it passes current it is currency.

But while that is so of money for currency purposes, it is not so of money in its use as a standard for—no, just wait a minute, won't you, until I think of that. I was going to say "standard for measuring values," but I don't believe that this phrase is very accurate. I fear it may be misleading. We usually measure values by the money symbol, algebraically, as it were—by the dollar mark, the pound-sterling mark, and so forth. But the service that the value of the material of which money is made performs, is distinctively more in the nature of a measure for deferred payments and of a storage place for labor.

Yes, we also store labor in wheat or corn or furniture, or anything else that labor produces. But in those things we store only one kind of labor,

as a rule—the kind of labor that produces the particular thing—and only very temporarily, too. The utility of such things usually passes quickly away, and their value with it; and they are not easily traded for other things at all times, nor can they be readily altered from a commodity useful in the arts to a currency useful in transferring accounts, and then back again as occasion requires. The material fit for money for deferred payments and labor storage should be of considerable value relatively to its bulk; it should be durable; and it should be capable of being transformed from a commodity into many currency pieces of various denominations, and back again, with the least possible labor cost and the least possible wear and tear. And it must be something which labor produces. For you will remember, Doctor, that labor is the real measure of values. It is the irksomeness of work that determines the value of the things produced, and of everything else within the circles of trade. Things are worth the work their possession saves.

But for valuation purposes we must have units, and it is impossible to define a unit of work in terms of work. We may indeed assume ideal labor units for purposes of abstract reasoning, much as in geometry we assume ideal points, lines and surfaces; but the variations of labor power in different persons are too subtle for us to specify a labor unit by any time measurement, or human energy measurement, or anything of that sort. The serviceability of the day's labor of one man differs from the serviceability of the day's labor of another, as the minds and muscles and temperament and tastes and training of the men differ. We accomplish the same thing, however, for all practical purposes, by referring to a given quantity and quality of some generally desired product of labor as a concrete expression of the labor unit.

Possessing this product we have a storage of labor units according to its quantity and quality—labor units of anything we want, mind you, and not merely of the particular product used for storing them.

Yes, the value-measuring factor is present in that commodity. If it were not, the commodity wouldn't serve as a storage for labor and an expression of labor units. Yes again, the commodity may be used as currency. I haven't intended to imply that "intrinsic value money," as it is sometimes called, is not usable for currency, nor that it is not usable for a measure of values. What I mean is that these are not its distinctive qualities. Other things, not necessarily dependent in any way upon "intrinsic value money," may serve as currency; and there are other methods of measuring values. But the material of "intrinsic value money" affords the only means of actually storing up units of labor in such a manner as to release them at will and approximately unimpaired. Although the same effect may be produced by means of loans, yet, for labor-storage purposes, these are only agreements to return the storage material or its equivalent. It is the material, after all, in which the labor units are stored.

Now, to go on with the effect of currency in lessening the friction of complex trading. We have already noted the fact that as the circles of trade become more and more involved, even currency is inadequate to overcome increasing friction. Similar effects to those noted in connection with pure barter are observable. Dangers of loss and of robbery, together with the labor involved in handling currency in large quantities, and the difficulties often in the way of obtaining it because of its relative scarcity, would naturally operate—don't you think?—to create a demand for

easier and better methods of credits and accounting in social service.

It seems to me that book-keeping might be expected to develop new possibilities under those circumstances; that traders, instead of passing currency with every transaction, would fall more and more into the habit of keeping mutual accounts and of using currency only to settle balances. That is the way the storekeepers did, you remember, when you and I went over to town with grandfather to trade. But with increase in the volume and complexity of mutual accounts, due to the still greater extension and intensity of trading, there would naturally be a new demand for currency in order to settle balances, and this would tend to re-create friction by making currency dear. At any rate that would be so if the quantity theory of money is sound, and I know that you accept that theory. And what do you suppose would happen now? Isn't it reasonable to expect that some new device would spring up to keep down the value of currency? I don't know what you think about it, but I should expect something like banks and clearing houses to come in—common bookkeepers who would lessen the demand for currency relatively to the volume of trade by expanding the utilities of bookkeeping. And isn't that precisely what has happened. Imagine the enormous supply of currency that would be necessary to make intermediate payments with the present volume of trade, if it were not for the bookkeeping facilities which bank checks afford.

The actual history of the thing I can't give you. Neither can anyone else except in a very superficial and incomplete manner. But isn't it fairly evident that trading must have been at first by means of barter—supplemented, perhaps, by some crude modes of credit, like those, for instance,

that our folks used to give to old Aunt Famy when she would trudge across the fields to our house to "borry" molasses or coffee or sugar, and promise to "bring 'em back next week," after she had been "over to town to trade"? But it is only in the simplest and most neighborly conditions that barter, even when supplemented with friendly borrowing, could have been the sole method of trading. As soon as it had begun to extend, currency would be necessary; some common medium of trade; something that everybody within the common circles of trade would accept, not from a desire of much of that particular thing, nor for any of it at that particular time it might be, but from confidence that any one else would take it at any time for anything. Furs or cattle might be utilized as currency for a while, but as these do not long retain their utility and value, and cannot without permanent loss be divided and restored again to suit changing needs, wouldn't it be reasonable to infer, even if there were no historical evidence, that metals would eventually take their place—such metals as are easily carried and easily stored, and such as are but slowly consumed or worn away, and the particles of which may be separated and reunited over and over again without much labor and without prejudice to their utility and value? It certainly is an inference.

And these inferences have a considerable support from history. Various products—furs, cattle, leather, shells, etc.,—have been used as currency, and in primitive places some of them are used yet. But they have been superseded by metal, owing to its greater adaptability. Among the metals, silver was long the favorite for "intrinsic value money," but gold has come into principal use for that purpose. Relatively to the volume of trade, however, neither silver nor gold is any longer much employed as currency, as you

know. Government notes and bank notes are most common. The metals are hardly used at all, except as pocket money and for labor-storage purposes in reserve funds.

At first, no doubt, silver and gold passed as commodities. The historical evidence of this is abundant, and we are not without examples in some parts of the world even in very recent times. Those who handled them much, carried scales to try the weight and acids to test the quality of what they received. An improvement upon that custom came with their use as authorized currency, symbols of weight and fineness being stamped upon pieces of the metal of various sizes and values. In other words, the metals were "coined."

The theory of "coining" is that government certifies to the quantity and quality of the metal in the coin, thereby protecting the ignorant from imposition and relieving the prudent from the necessity of using scales and acids with every trade. But governments have not always been faithful in this respect. They have frequently taken coinable metals of certain values and stamped them with higher values. This is the way, I understand, that the pound of silver got reduced as a coin to a small fraction of a pound. Whenever it debased its coinage, the government kept the surplus metal and called it "seigniorage." An easy way, wasn't it?—to collect taxes without taking the taxpayer into your confidence. Easier than our own methods of indirect taxation. And it wasn't as oppressive, either, except upon persons who used coins for labor-storage. Those who used them simply for currency, passing them out as soon as they took them in, lost hardly anything.

When intermediate payments were made chiefly by means of gold and silver currency or money,

wouldn't you suppose that the hoarding of those metals must have been a favorite method of "saving up against a rainy day"? Seems so to me. It wasn't all honest hoarding, either, I guess. You remember those old stories of pirates and their buried treasure, don't you, that you and I used to read in the haymow of a Sunday afternoon, or down on the creek bank in the intervals of going in swimming? May be honest folks didn't bury their gold and silver coins, but they hoarded them somewhere, I reckon. Even if they didn't hoard them, they had to have a good supply on hand for currency according to their needs, which must have been frequent and in pretty large amounts among the nicest people—those who lived honorably in the sweat of other men's faces, you know.

But whether hoarded for saving or kept on hand for use as currency, gold and silver coins would certainly have been good plunder for thieves. And they do say that this is what brought about the use of checks on banks, which is now so common. I don't vouch for the story, for I'm no historian; but it seems that persons possessed of gold and silver coins and without safe places of their own in which to keep them, but who were customers of some silversmith, used to deposit their coins with him to be put into the receptacle he kept for the exceptionally valuable materials of his handicraft—gold and silver, you know.

In the beginning, these coins deposited with silversmiths for safety, were no doubt carefully kept by them as special deposits; that is, they expected to return to their customers the identical coins. But sometimes a depositor would call for his deposit, or part of it, not by withdrawing it bodily himself, or through a servant, but by giving in intermediate payment to somebody he owed, a written order upon his smith to deliver the specified

amount to that person. By "intermediate payment," I don't mean, you understand, what lawyers might mean. They might mean conditional payment; but I mean absolute payment, though in a form, money, which is not final payment, because that is not what the payee finally wants. Well, when both the drawer of this order and the payee happened to be depositors with the same silversmith, the payee didn't always withdraw the coins. Sometimes he would ask the smith to shift them, or so much of them as the order called for, from the drawer's deposit in the vault to his own. This accomplished the purpose—don't you see it did?—of both drawer and drawee. And something similar occurred even when the drawer of the order and the drawee didn't happen to be depositors with the same silversmith. In that case the drawee often saved himself trouble by asking his own smith to go or send and get from the other the coins called for by the order; and when the two smiths came together in that connection, it sometimes turned out that each of them held orders against the other. Now, what do you suppose would probably happen then? Why, if the amounts balanced, no transfer of coins would have been made either way. What would be the use of those silversmiths lugging coins back and forth if they could save the trouble and accomplish the same result by merely exchanging little pieces of paper and making a few simple entries in a set of books? And if there had been a balance either way, well what would be the use of lugging coins either way to any greater amount than the balance? If the balance were small, or similar transactions had got to be of frequent occurrence among silversmiths, it is probable that even the balance wouldn't be carried either way in coins with every transaction, but that mutual accounts would be

kept and balances adjusted with coins only now and then.

After a time the more observant smiths noticed a curious fact. They noticed what we now realize was bound to occur, that a proportion of all the coins deposited in their vaults never went out again. It was a great discovery. What Watt's observation of the antics of his mother's teakettle was to steam power, that observation of those astute silversmiths was to modern banking in so far as depositing and checking are concerned. With an eye to the main chance, no doubt, those old silversmiths took advantage of their superior astuteness of observation by quietly using as material in their trade some of the coins deposited with them. It helped to enrich them by giving them a good deal of gold and silver for the melting pot without a farthing of cost beyond the deposit accommodation they were giving their customers, and it didn't harm their customers, because they could always get what coins they wanted. These profitable yet harmless peculations of the silversmiths—the Big Business men of their time—came out of that proportion of deposited coin which, in consequence of the orders passing between silversmiths, was never wanted by the depositors, taking them as a whole.

But wouldn't you infer that when the silversmiths generally came to realize all this, competition would set in and adjust the whole thing upon an honest basis? Wouldn't they begin to encourage general instead of special deposits of coin? Wouldn't they be likely to stop receiving deposits of coin as a favor or for a storage fee, and do it for the privilege of being allowed freely to use the gold and silver coins as raw material in their handicraft? And wouldn't the depositors be satisfied with repayment upon demand in coin,—not necessarily in the identical coins deposited, but

with others of equal value, or even with depositable orders upon silversmiths? That's what happened, I guess, Doctor. At any rate, that is the way the story runs, and it is essentially what the modern bank is actually doing.

As that custom developed, while affording profits to the smiths from the use of capital costing them nothing, its benefits extended much farther. The retiring of a very large proportion of gold and silver from service as currency and from hoards of saved up money, tended to make those metals more available for use in the arts. And of course trading generally must have been freer and easier when orders on smiths served as substitutes for currency than when gold or silver had to pass with every trade.

All this appears to be in substance historically true, and modern banks to be in one at least of their functions, an evolution from a custom of the old silversmiths of London. I mean the bookkeeping function of modern banks, for banks are really common bookkeepers. Instead of paying out and receiving currency with every transaction, we deposit the checks that we get, and draw checks for the payments that we want to make, and the banks shift our credits accordingly in their sets of bookkeeping books. Their pay for doing this they take by reserving the right to lend from 65 to 85 per cent of their depositors' credits, retaining the interest for themselves; the theory being, analogous to that of the old silversmiths, that a certain proportion of the aggregate credits that pass through bank ledgers will never be checked out.

By lending this proportion of their customers' credits the banker's function is made to extend beyond that of a common bookkeeper. He becomes also a broker in and insurer of individual

credits. Of course his guild likes to assume larger functions. That is as natural with bankers as Jefferson said it was with judges; and I suppose, Doctor, that we all have an itch to draw power to ourselves. So let's not think of bankers as a different "run of shad" because they want to add to their functions, even if in doing so they do invade public rights. We are all poor sinners.

One of the alien functions that the banks have long tried to draw to themselves is the right to issue currency and to control its volume. But here they run afoul of the sentiment that if that is anybody's function it is the government's, and ought not to be farmed out to banks or anyone else. We won't discuss this just now, Doctor, but I should like to remark in passing that I rather incline to think that the only normal functions of banks are brokerage in credits, insurance of credits, and common bookkeeping. They borrow from all depositors without interest, to lend to one or more for interest; and to compensate for taking that interest, they do the common bookkeeping for all.

This bookkeeping function may need some further exposition. Even you, Doctor, with all your familiarity with banking transactions, both as a bank clerk for that first year or two after we got home from college, and as a bank customer ever since—I doubt if even you have reflected upon the significance, with reference to social service, of this bookkeeping function. Just listen, then, for a few minutes longer.

Let us think of a group of men as interchanging serviceable commodities. You remember that in primitive barter each must have or must get exactly what the other wants, or else there is no trade. But then comes currency, whereupon either can sell what the other wants to buy, and use the currency to buy of some one else what he

wants himself. This facilitates trading. But as the carrying of currency back and forth becomes irksome and risky in consequence of increased trading, we have mutual accounts; and, mutual accounts becoming in great measure impracticable, as the circles of trade extend and interlace, the same law of human nature that gave us currency and mutual accounts will now give us banks, which in turn and under similar pressure will give us clearing houses.

Here we have, then, a wonderful extension of the bookkeeping principle, for that is what it is. Checks that go to banks are nothing but orders to bookkeepers to transfer credits from one customer's account in the books of the bank, to another's; and as the clearing house merely does for all the banks of a group what each bank does in this respect for its own customers, bookkeeping would adjust the entire volume of trade if all banks were connected with one clearing house and all traders were depositors in a bank. To that ideal perfection the bookkeeping principle of credits and accounting in the mechanism of social service may never attain; but the nearer the approach to the ideal, the greater will be the advantage realized. Normally, you know, Doctor, normally; without considering the pathology of the subject.

True, very true; some folks do not understand how a trade between widely separated strangers could be accomplished without money. I reckon you really do, but all the same, since you have made the remark, I am going to risk boring you about it, so that I may be sure that you have the same understanding of the matter that I have.

Though each of those strangers were too far separated as participants in social service to be able to use mutual accounts, or even checks, between themselves, yet they are linked together in a

chain of traders, each of whom knows the trader immediately before and the one immediately after himself in the chain.

For instance, here is a farmer in Kansas, and yonder is a shoe factory foreman in Massachusetts. They don't know each other. Neither would give credit to the other, and neither would take the other's check for goods. Yet the factory foreman may buy corn of the farmer without money; and the farmer, also without money, may buy the factory foreman's share of the shoes he has helped to make.

The foreman, let us say, keeps an account in the village bank where he lives. He takes a check from his employer for his wages and deposits it in his bank. This check is essentially the consummation of an advance sale from himself to his employer of his share in a quantity of shoes that have been made under his direction as foreman. The employer sells the shoes to a Boston house, and the Boston house sells some of them to a house in St. Louis, which sells some to a house in Topeka, which sells some to the village storekeeper at Hymer, near where the Kansas farmer in question lives. In actual experience, those shoes would probably go more directly from Massachusetts to Kansas; but then the problem of payment by checks would be simple, too simple for illustrative purposes, and I am trying to make it sufficiently complex to be illustrative.

Now observe, Doctor, that the Hymer storekeeper has paid for that invoice of shoes with a check upon his village bank, which has set in motion a series of bookkeeping entries at various points from Kansas to Massachusetts, including Topeka, St. Louis and Boston. The result is that the balance which would otherwise be to the credit of the Kansas storekeeper in the Hymer bank, has passed to the credit of the factory foreman in the

Massachusetts village bank, in consequence of his having deposited to his own account the check from his employer.

Meanwhile, the farmer has sold corn to the Hymer grain buyer and received a check upon the Hymer bank, if there is a bank there; or upon a Topeka bank, it maybe; at any rate upon the same bank in which he keeps his own account. This check the farmer deposits in the Kansas bank, whether at Hymer or elsewhere, with which he does business. And what has happened to the corn? Why the local grain buyer has sold it to a Kansas City grain buyer and taken the latter's check; the Kansas City grain buyer has sold it to a Chicago house, taking its check; the Chicago house has sold to a New York house, taking its check; and the New York house has sold to a storekeeper in the Massachusetts village where the shoes were made, taking his check.

Observe now that the factory foreman's shoes have reached the Kansas village store; that the Kansas corn has reached the Massachusetts village store; and that the shoes have been paid for by a series of checks, beginning with one drawn upon the Kansas bank, and ending with a corresponding deposit in the Massachusetts bank. Currency has not been disturbed at either end. There is the same amount of currency in each village as if those transactions had not occurred. Even the credits in the banks are undisturbed. The only difference is this, that the Massachusetts factory foreman has a larger credit in his bank account, which has come through a series of banking transactions from the Kansas storekeeper; and the Kansas farmer has a larger credit in his bank account, which has come through a series of banking transactions from the Massachusetts storekeeper. Although the amount in the bank at each terminus of the series of exchanges is the same as before, it

has been transferred to a different depositor, somewhat as in the old days of the silversmiths there was the same amount of gold and silver coin in a smith's vault after a deposit or a draft as before, but the title to some of it had been transferred from one depositor to another.

Now the factory foreman may go to the Massachusetts village store and with his check buy corn, while the Kansas farmer goes to the Kansas village store and with his check buys shoes. The balances in both village banks are then shifted again, that of the foreman being transferred to the Massachusetts storekeeper and that of the farmer being transferred to the Kansas storekeeper. Each intermediate party to this series of exchanges will in due course have received back all that he expended, with his profit added; and the factory foreman will have obtained in exchange for his share in the shoes what he desired more than shoes, while the farmer will have obtained in exchange for the corn what he desired more than the corn. And yet no money will have passed. Those two men, so far apart and utter strangers, will, without money, have made a swap of one man's corn product for the other man's shoe product.

Most exchanges are effected in this way, as you know, Doctor. The process may be in some respects more intricate and in others less so, but the principle is the same.

People who have no bank account must of course use more currency, dollar for dollar, than those who do have bank accounts; but even such people transact much of their business by means of bookkeeping, for they often have open accounts at stores which they settle with store orders or the checks of bank depositors with whom they happen to have other financial relations. They also handle bills of exchange and postal orders, or notes, or

all; and every one of those bits of paper belongs to the bookkeeping as distinguished from the currency mode of effecting exchanges of social service. All are orders upon bookkeepers—part of the mechanism of the clearing house principle.

In foreign trade, bills of exchange serve instead of bank checks. But bills of exchange, though they differ slightly in form, are in principle indistinguishable from checks. Both are merely written instructions to bookkeepers.

The use of the bill of exchange is said to have grown out of the necessity for guarding against the dangers of transporting gold and silver. There were shipwrecks, you know, and highwaymen, and pirates in the old days. And even in those days there was governmental plundering of strangers who had "more money than the law allowed," as you and I said to Pearson's bound boy that time when he had three pennies and we hadn't any, and three pennies, as we explained to him, would buy "just enough chewing gum for the crowd." I believe that the credit for inventing bills of exchange is given to the Jews. But never mind about that. They just had to invent them in order to protect their property from a type of Christians who were afraid the poor Jew might not get through the needle's eye, and there's not much merit in doing what you have to do. Anyhow, you and I are not concerned so much about who invented bills of exchange as we are about the way in which they work in the mechanism of social service.

Well, you see, a trader in one country who expected to make payments in another, and was afraid of shipwreck, or pirates, or governmental "protection," would open friendly credit relations with some one in the latter country; and upon making his payments, instead of shipping gold or silver, he would ship bills of exchange. These be-

ing honored satisfactorily when and where payable, were charged by the payer to the drawer. Conversely, if a payment needed to be made by a trader in the second country to one in the first, he also would forward a bill of exchange or draft upon a friendly concern, instead of sending gold and silver, and a charge would be made against him. If these drafts happened to be for the same amount, one balanced the other, and no gold or silver changed countries in consequence of that trade. If they were unequal, the difference was adjusted by a shipment of gold or silver to the amount merely of the difference; or else the account was allowed to stand open, and the balance fluctuated from time to time one way or the other as further drafts were sent or received.

Out of this custom among traders there grew up eventually a system of bookkeeping between traders of different countries, which bankers conducted. That is to say, a business of dealing in foreign drafts evolved. A dealer in drafts in one country would open credit relations with one in another country, and then they would buy and sell the drafts of traders. A trader who wished to pay a foreign debt would try to buy a draft. If the difficulties of transporting gold and silver were great, the cost of the draft would be high; if they were slight, the cost of the draft would be low. And that is the way, Doctor, in which payments are made between dealers in different countries, even unto this day.

When a merchant in New York, for example, ships apples to London, and a merchant in London ships canned fruit to New York, two bookkeeping entries on the debit side are made, one in New York against the London consignee, and one in London against the New York consignee; and upon the basis of those entries bills of exchange are drawn. This may be done by the shippers, or

the shippers may sell the right to do it to bankers, taking pay in local bank checks. At that stage of the transaction, New York owes London a certain amount and London owes New York let us say the same amount.

In very truth neither city owes the other anything. An individual in London owes an individual in New York, and an individual in New York owes an individual in London. But it is easier just to say London and New York.

The draft upon London finds its way through bankers there to the account book in which New York is charged for canned fruit, and being therein entered as a credit item, it offsets that charge; the draft against New York finds its way through New York traders and bankers to the account book in New York in which London is charged for apples, and it similarly offsets that charge. Canned fruit will then have been exchanged for apples between the two countries—England and the United States,—and all accounts are squared.

Of course the details might be much more intricate, but the principle would be unchanged. Though very few if any individual transactions exactly offset other individual transactions, that fact makes no essential difference. When a banker in New York comes into possession of several bills of exchange of various amounts against London, he, by forwarding them to his London correspondent and charging the total, acquires the right to draw upon his correspondent any number of drafts for any amount not exceeding that total. This enables him to sell drafts upon London for any amount to persons who demand commodities from places where London drafts are receivable, just as a bank depositor, by forwarding to his bank all the checks that may be given him acquires the right to draw upon that bank. And when all that London owes to New York is set off against

all that New York owes London, the balance is what New York would be required to pay or be entitled to receive in gold, if there were no other cities within the circles of trade. But as there are other cities, the balance owed, say, by New York to London, may be offset by a balance owed by Berlin to New York, while Berlin's debt to New York is offset by one from Paris to Berlin, and that of Paris by one from Madrid, which in turn is offset by one from Brazil and that by one from London. Taken together, don't you see, there would then be no balance. All accounts would be squared. Even if there were a balance, international trading goes on continuously, just like trading "over to town" used to, and consequently balances shift. When all the trading centers of the world, and all the commodities in the circles of trade, are considered together, and a sufficient time is allowed for the reaction that invariably follows action, or, in commercial terms, for the exports that follow imports and the imports that follow exports, there is no balance for or against any locality, except such as may be traced to one-sided payments. Among these are payments for the purchase of land, for the rent of land, for loans, for interest on loans, for investments and for profits on investments, for tribute of some kind or other, and for gifts. Yes, gold may have to go one way or another, and it may be said that it goes in settlement of balances. But gold is a labor product and goes as a commodity, just as corn and wheat do. In normal conditions it would be shipped much more for use in the arts than for the highly uneconomical purpose of merely settling balances.

Exchanges of commodities tend, you see, to equalize balances between trading centers. And they do it—pathological conditions apart. Some cities become clearing houses or central bookkeep-

ers for the surrounding territory; others become clearing houses or central bookkeepers for these; and one ultimately becomes the common clearing house or bookkeeper for all. A village, for instance, is the central bookkeeper for producers within the influence of its commercial attraction; the neighboring city is to its dependent villages what they are to the adjacent country; the great trading city of the country is to the smaller ones what they are to the villages; and the great trading city of the world is the same to all the other cities. London, you know, is the clearing house for the world. In the same sense New York is the clearing house for the United States, Chicago is the clearing house for the western region of which it is the commercial center; the village of Herkimer is the clearing house for the little farming territory that spreads out before it at the foot of the Adirondacks.

Now notice this—a draft drawn upon London is good anywhere in the world. You know that, but do you know the reason? The reason is that London is the market city of the world, the center of the world's exchanges. Goods go from there in every direction. Consequently its people have debtors in every direction. And because it is easier, cheaper and safer, those debtors would rather pay their debts with drafts than with gold. For similar reasons a check or draft upon the center of exchanges in any territory is more acceptable than one upon a place in the same territory from which goods go only in some directions but not in all. Such drafts will as a rule command a premium, which is more or less according to the expense of shipping currency and insuring its delivery. It is true enough to be sure, that debts for goods are owed by the center of exchanges no less than to it. But mark you, Doctor; drafts upon centers find debtors to the centers everywhere, and may there-

fore be used to pay obligations not only at the centers upon which they are drawn, but anywhere else in the territory; whereas drafts upon minor points are not likely to find debtors elsewhere, and consequently cannot be as conveniently used for payments elsewhere.

Of course bills of exchange have a market among the bankers in all cities. It is part of the banker's business, you remember to utilize these orders upon bookkeepers in his function of common bookkeeper. When there is a balance owing by London to New York, New York bankers can to the extent of that balance draw upon London without shipping gold. This tends to make a surplus of drafts in New York upon London, and therefore to place such drafts at a discount. Law of supply and demand, you see; our index finger law, don't you remember? If goods are not imported from London or elsewhere so as to affect that balance, London must ship gold to settle the debt; and as this involves expense and risk without profit, drafts upon London will rule in New York at a point as much below par approximately as this cost would be, and drafts upon New York in London at about as much above par. When the balance is the other way, the rate for drafts is reversed.

Inasmuch, then, as an excess of exports would seem to give us the right to draw, and so make drafts upon London cheap, excessive exports are spoken of as a "favorable balance of trade"—favorable, that is, to buyers of drafts. And this patter slides smoothly off the tongue of campaign orators, who ignorantly make it mean that a continuous balance of exports is a continuously favorable balance of trade. As if a continuous export balance wouldn't mean a draining of the country of goods, and not a creation of a right to draw at all. For a right to draw means, when exercised,

that commodities will be imported to offset the exports.

Did you never consider, Doctor, that there is something very significant in the fact that although we have had a heavy export balance all these years—something like 6,000 millions, I think it has run up to—yet New York drafts upon London are almost continuously dear? Why, if we had a right to draw against that huge export balance—that "favorable balance" as some of our deluded friends used to call it,—yes, and you among them,—drafts upon London wouldn't be dear. They would be so plentiful that they would be a drug in the market.

How do I explain it? Well, it is partly explained by the fact that our export balance includes gifts by foreigners to friends at home, travelers' expenses abroad, freights earned by foreign ships, interest on debts public and private created long ago, dividends, and rentals for American land owned by foreigners; and partly by erroneous valuations, as when our manufacturers ship goods at the price they charge us and settle with the foreigner at a heavy discount.

The mechanism of social service, business as we call it, is little understood, simple as it is, outside of business circles. Even there its principles are little considered with reference to their social service relations. But you see, don't you, Doctor? that the whole matter will sum up in the simple statement that in the last analysis, legitimate business is barter in the social service market. It results in normal circumstances, in the distribution of social service fairly between the people who serve, and leaves those who do not serve to be cared for fraternally if they are unfortunate, and to suffer the natural penalty if they are unsocial. It is a practical expression of the Pauline law, that "he who will not work neither shall he eat." If it does

not come out in this way, if many who will not and do not work nevertheless live upon the fat of the land, while armies of those who will work and do work faithfully and serviceably, are continually in want, this is because the mechanism is out of order. I want to talk with you a little about that when we meet again. For neither you nor I, Doctor, can escape responsibility for any serious derangement of the mechanism of social service.

CHAPTER XI.

Derangements of the Mechanism of Social Service.

In our talks, Doctor, since that day at Joseph's restaurant when a chance remark about our dinner led us on to a serious inquiry into the complex phenomena which had produced the dinner for us just when we wanted it and where it was most convenient to sit down to it—in our talks since then upon the subject of social service we have had frequent occasion to allude to its pathology. But now that we come to consider maladjustments of the social service mechanism, I am really not quite sure that pathology is the fitting word. Is there a pathology of mechanism, I wonder, or had we better use another term? I guess you are right; the word doesn't make any difference. But may be we can avoid hypercriticism by saying "derangement" in this particular connection.

That there are derangements in the mechanism of social service is evident to most of us at intervals and to some of us constantly. When men and women who work hard all their lives at useful service to others in the mechanism of social service get very little service from others in return, something must be out of order with the mechanism; for it has no other normal function than to facilitate exchanges of service for service. How can any one doubt the derangement when there is slack demand for social service of any kind in a world which hungers and thirsts for social service of all kinds? And isn't it a fact that the keener this hunger and the more raging this thirst for social service, the slacker the opportunities relatively for

rendering it? What an absurd condition! Isn't it true, too, that those who beg for opportunities to render social service which others want, suffer for lack of social service; and that men and women who render little or no service to anybody through all their lives, are nevertheless served abundantly? You know, Doctor, that these absurd contrasts are common; and surely such conditions prove derangement in the social service mechanism. While it may be natural for parasites to get sustenance, it isn't natural for their victims to furnish it voluntarily. Why, if old Farmer Doe's fanning machine had got to scattering the wheat to the winds and pouring the chaff into bags for the flouring mill, both you and I, boys as we were, would have known that it was out of order. But a fanning machine that gives the wheat to the winds and the chaff to the miller would no more certainly be out of order than is a social service mechanism that automatically enriches idlers and impoverishes workers.

Aye, aye; I do know that some folks think the disorder of this mechanism must be highly complicated, so complicated that it will take millions of years of painful evolution to bring it into good running order, or else that the injustices of its operation are due to the inscrutable decrees of Providence. But complex evils do not always have complex causes. Nor are the decrees of Providence so very inscrutable if you look *at* them instead of away from them. The evils of the Johnstown flood some twenty years ago were tremendously complex, you remember, but the cause was as simple as the collapse of a dam in the channel of a running stream; and as for the "inscrutable decrees of Providence" in that instance, weren't they as rational as a syllogism?

I shouldn't be surprised, don't you know, to find that our periodical convulsions in social service are

due to the same derangements of the mechanism which cause the constant poverty of the working masses, and that these derangements are as simple and perhaps as easy of correction as a gravel in a shoe. Periods of hard times seem to be acute phases of a chronic derangement.

What I insist upon is that every one should get an equivalent in service for the service he gives; if he doesn't get that, it must be either that the service he offers or the service he seeks is in some way diverted. I insist further, that every one's service should be in demand as long as others want service such as his and are willing to give their own in exchange; if it isn't demanded to that extent, the explanation must be that the diversion of service from those who serve has weakened the power of each to employ the others. This latter thought would seem more familiar, may be, if I were to say that slack demand for service is due to a weakening of the purchasing power of consumers. But remember that producers and consumers are normally the same lot of folks. In the character of producer, each serves others; and in return, in the character of consumer, each is served by others. The non-producer who is a consumer is either a pensioner or an interloper. Don't you see that slack employment, due to a weakening of the purchasing power of consumers, proves upon analysis to be caused by a weakening of the power of social servitors to employ one another?

This weakening of the powers of mutual employment is in its turn, as I have already said, traceable to some derangement in the mechanism of social service which diverts social service from the normal exchanges of service for service to abnormal exchanges of service for no service. For how can there be any check upon the interchange of mutually desired services, short of positive inhibition by autocratic might, unless there is some

such diversion of service? And how can there be such a diversion of service, short of high handed confiscation, unless the social service mechanism is deranged? That some such derangement, creating a cumulative "rake-off" of service from those who serve to those who do not, would produce the evils we are considering, is almost mathematically certain. Sooner or later a cumulative "rake-off" would unbalance interchanges of service even to the point of disastrously slowing down the mechanism. Though the "rake-off" were a small one, yet if it were constant, and especially if it were also cumulative, it would be like Croasdale's solitary bumble bee, which, "being industrious, broke up a whole camp meeting."

It's the "rake-off," Doctor, that breaks up the game. You haven't forgotten your old poker wisdom, have you? Ah! Well, I'm a little rusty myself on that sly recreation of our welsh-rarebit days; but I remember Georgia Pete's "kitty" pretty well, and I reckon you'll remember it too, confidentially at any rate, when I remind you of how it broke up our game. It seemed inexpensive enough—didn't it?—just to drop one little chip into Georgia Pete's "kitty" with every good winning. The winner didn't mind it, for his winnings were such that one chip wasn't missed and he was happy enough anyhow to be generous; the others didn't mind it either, for it wasn't their chip. But don't you recollect now how that open mouthed "kitty" drew and drew until we got to saying that "kitties" and mustard plasters were synonymous terms? At last we began to realize, you know, that if we kept on going to Georgia Pete's it would be only a question of time when the "kitty" would get all we had; and so Georgia Pete's absorbent "kitty" did for us what monitory influences had failed to do—it broke up our poker game. There is something vaguely suggestive to me about that

clandestine experience. It "sort-o'" hints at the destructive power of the "rake-off" in social service. A steady diversion, from service for service to service for no service, must tend to bring the social service mechanism to a standstill.

As interchanges of service for service slow down, in consequence of the diversion of service, from exchanges of service for service to exchanges of service for monopoly, the phenomena of poverty among the workers in contrast with wealth among the luckier idlers, become more and more pronounced. You have observed it, haven't you? At first there is a little pressure, impoverishing only to individuals here and there who happen to be nearest to the point of contact. Then there is an extension of the pressure over a wider field, causing more individual impoverishment with greater intensity. And so on, until the field of friction becomes so wide and the jarring and grinding so general that the impoverishment which has been attributed to individual inefficiency or misfortune takes on the aspects of business stagnation. How well I remember, away back in the '70's, how the folks out our way kept on blaming little Jimmie Buckley for "failing up" in '72. But along in '75 'Squire Hamilton "failed up," too, and then they pitied the 'Squire as a victim of hard times. So long as it was only little Jimmie, he failed from his own fault, you know; but when the old 'Squire went to the wall, hard times had crippled him. Haven't you ever noticed, Doctor, that with the great working mass it is hard times all the time, sometimes better and sometimes worse, but always bad, while hard times come to the "rake-off bunch" only periodically? But, bless you, how that "bunch" does groan when the periodical hits them!

The truth is, you see, that ordinary poverty is due to the difficulty among the masses of the

people of bringing about a swap of the services they are able to give for the services they want. As this difficulty expands and intensifies, the interlaced circles of trade are disrupted, and then we all realize what the working masses constantly feel, the monumental absurdity of a social service market in which, while nearly everybody wants to trade service for service, trading in service for service is stagnant.

What kind of derangement of the mechanism of social service can that derangement be, do you suppose, which runs with so much friction?

Scarcity of money? Why, money is only a medium of trade, a token, chips in the game. The thing traded is really not money but services, and services can be traded without money. How, then, can money be important fundamentally? By far the greater proportion of all transactions in the social service market are completed without money, as you will realize if you recall our clearing house talk; and the more the clearing house principle is improved the less money we need, swap for swap. With a perfect system of communal book-keeping, such as a perfect clearing house system would afford, we should need no money at all. But do you suppose that the great derangement of the social service mechanism would adjust itself if there were no need for money, or if the money system were perfect? Do you suppose that then we should have service for service? No? Of course you don't. We all know quite well that if chattel slavery were reestablished, a perfect money system would make no difference to the slave. He wouldn't get service for service; slavery would give his share of social service over and above "his keep" to his master as a "rake-off." And don't you think that there are law-made ways of commanding this rake-off from servitors without owning their bodies? ways with which money has no more to do than chips

had to do with our old poker game? ways in connection with which, as with slavery, money only measures and keeps account of the rake-off?

Yes, tax obstructions to trade have that effect. But taxation is only one mode of obstructing trade. Bad money systems are another and railroad discriminations another. All these are essentially free trade questions. But if we had the most complete freedom of trade, short of freedom of production, we might, and I am confident we should, nevertheless suffer precisely as we do now. Our social service market would be in as great disorder. For in logical sequence production necessarily precedes trade, and if there is any disorder in the relation of the social service mechanism to production, the removal of trade disorders wouldn't be enough. It is only in case the maladjustment is wholly with reference to trade as distinguished from production, that a perfect adjustment as to trade would restore the social service mechanism. But we have only to reflect a little, Doctor, to realize that the maladjustment of the social service mechanism is not confined to its trading as distinguished from its producing functions. The probability is that the disorders of production are such that if all other disorders were corrected these corrections would only intensify the disorders from production.

Consider, Doctor, that without production there can be no trade but the most primitive. I might render you some slight personal service without producing anything for you; and you might repay with some slight personal service without producing anything for me. But this could go only a little way. If trading were confined to direct personal services there could be no civilized life. Even the services that we call personal in civilized life, such as those of the barber, the physician, the actor, the lawyer, and so on, can be performed, as

they are performed, only because there is production. When the barber cuts your hair or shaves your face, he utilizes tremendous productive power in the implements and processes and sources of supply of the machines that have enabled his cooperators in shaving you or cutting your hair, to turn out the simple tools of his trade. The production of goods, of machinery, of buildings—in a word, the production of commodities—is absolutely essential to the exchange of service for service in civilized life; and production necessitates implements, or, speaking more generally, instruments.

Am I alluding to the instruments of production and distribution that our socialistic neighbor down the street speaks of so often? To be sure I am. Would I have you suppose, then, that the fundamental derangements of the mechanism of social service are to be found in connection with the instruments of production and distribution? That is what I would have you understand, Doctor. And that the blight of poverty and the recurrence of periods of hard times, the diversion of service from the channels of service for service to those of service for no service, are finally traceable to inequalities of opportunity with reference to those instruments? Quite so. It is my conviction, Doctor, that the trouble lies exactly there. If we can adjust the mechanism of social service at that primary point, we shall be able with the greatest ease to make the secondary corrections. Most of them —all the related ones, I should say—would then correct themselves.

Since the interchanges of social service necessitate great stocks and constant reproductions of commodities, as I think any one can see, and this necessitates instruments of production and distribution vast in amount and unfailing in supply, doesn't he who controls those instruments, whether

he be an individual or a class, doesn't he control both product and producer? Right there, Doctor, is the primary point for inspection if we think of the social service market as a mechanism, and for diagnosis if we think of it as an organism.

There are two great instruments of production, you will observe. I say instruments of production, without mentioning distribution, for distribution in the sense in which we are here using the word means delivery, and as you remember delivery is a part of the process of production. And of course I am speaking of categories of instruments, and not of individual items, whether little or big. When we get down to bed rock in our analysis, I think we shall find that one category comprises the artificial instruments of production, those that are produced by human art; and that the other—there are but two, mind you—comprises the natural instruments of production, those that are not produced by human art but are freely supplied by nature. No, no; of course I don't include a man's hands among the natural instruments of production—of course not; and well you may laugh at the thought. A man's hands are part of the man; and we are talking about the relation of the man to his environment, not about the relation of one part of him to another. It is the instruments of production his body uses that we are considering, and the point I wish to impress upon you is the obvious fact that some of these instruments are artificial and the others natural.

Opportunities instead of instruments? Yes, if you wish. We could just as well say that there are two kinds of opportunity for civilized production, and therefore for social service, and that these are artificial opportunities and natural opportunities. But don't go off with the notion that they can be utilized independently. They must be used together. There is no alternative. Natural oppor-

tunities or instruments, without the artificial, may serve the primitive life but not the civilized; and the artificial without the natural are unthinkable under any circumstances. Social service, let me admonish you, is a phenomenon of the co-operative utilization of artificial and natural opportunities or instruments of production. To the extent then that access to either class of instruments is obstructed, to that extent the social service mechanism is fundamentally deranged; to that extent the circles of trade are thrown out of gear; to that extent the grim absurdity of supply of service vainly seeking demand for service in a social service market which exists for the exchange of service for service, and at times when suffering is intense for need of the very service which vainly offers, is increased in its dimensions and magnified in its grim absurdity; to that extent our nature-defying contrasts of idle rich and industrious poor are sharply defined and made elements of social danger.

That access to both is obstructed, we shall agree, I think, if we discuss access to the instruments or opportunities for production, artificial and natural, as the fundamental requisite of social service.

CHAPTER XII.

Analysis of the Instruments of Social Service.

The last time we talked about social service, Doctor, we made a brief analysis, you will remember, of the instruments of production and distribution. We spoke of them, however, as instruments of production,—of production only. For we agreed that distribution, as we were using the word, means delivery; and delivery, you know, is one of the productive processes. The boy who brings you a newspaper, isn't he producing newspapers as truly as is the editor or the printer?

Yes, the word "distribution" may be used in contradistinction to "production"; but then it refers not to delivery of products, but to division of profits. The members and employes of a business firm, for instance, are engaged in production, not only as they shape objects for sale but also as they sell and deliver them. They are engaged in production though they do nothing but sell and deliver. Storekeepers are producers as truly as farmers and mechanics. But in the special sense of the word "distribution" to which you allude, employers and their employes are engaged in distribution only as they divide among themselves the profits of their shaping and selling and delivering,—such a share for the wages of this man, such a share for the wages of that man, such a share for the work of this member of the firm, such a share for the work of that member, such and such shares pro rata for those who furnish

the artificial instruments, and such a share for those who furnish the land.

The customs of old whaling voyages afford an extra good illustration; for on those voyages the profits were divided by shares, according to the "catch," somewhat as we divided those fish at Green's Pond when you and I were boys. So we may say—don't you see?—that whaling crews were engaged in producing oil when they harpooned whales, and when they extracted the oil, and also when they transported the oil in their vessels to the point of delivery; and that distribution among them took place when their respective shares of oil were estimated and assigned at the end of a voyage. Consider the analogy, Doctor, and you will see that our old Professor Rutley was right—and yet without my being wrong,—when he distinguished in the way he did between "production" and "distribution." For what he meant by distribution wasn't delivery; it was calculation, assignment, or division of shares—among the workers in wages, the capitalists in interest, the land owners in rent, and so on. I say "and so on" because he used to have several other shares.

Let me see, there was "insurance" for one of them. But I never could understand how insurance could be a distinct share in distribution. What he meant by insurance was a sort of general evening up, the high profits of lucky ventures and the low profits or the losses of unlucky ones making an average when production as a whole was considered. You may call this "insurance" if you wish to, but all the same I don't see how the social service system as a whole can insure itself any more than you can propel your sailboat with a blacksmith's bellows in the stern. Particular workers may insure by selling out in advance to a speculator, who takes the risks. But insurance against risks in production is no more an element

in distribution than insurance against fire risks. In a fire risk the owner of the house either carries the risk himself or hires some one else to. In the risks of production, producers either carry the risks themselves, making for themselves the larger wages of good seasons, and bearing with lower wages if the season is poor; or else they hire speculators to guarantee them against low wages from possible bad luck by letting the speculators have the extra high wages from possible good luck. The insurance to which Professor Rutley referred was really nothing but wages. You can't make any other category for it. Producers as a whole cannot insure themselves as a whole. The aggregate of production cannot be made any greater in seasons of bad luck, nor any less in seasons of good luck, by means of insurance. Insurance can readjust or equalize individual shares; but the total fund distributed is neither more nor less, either in value measurements or in utility measurements, on account of insurance.

There was also "wages of superintendence," in our old college days, you will remember. Professor Rutley dwelt on this as a knock-down argument against those "com-*mew*-nists" that grandfather used to rail at in his good natured way, without knowing much of anything about them except that they were trying to make strange rules for a business game in which he played in a modest way. But isn't superintendence work? Well, then the wages of superintendence must be wages for work. So why classify the "wages of superintendence," except as a sub-classification, unless it be to confuse? Of course Professor Rutley didn't mean to confuse. He was the soul of honor. But he was also a very type of guileless simplicity. He was himself confused by his authorities. The words "superintendence" and "wages of superintendence," so evidently indicat-

ing mere phases of labor phenomena, confused him, just as some of our rich business friends hereabouts are confused by the word "ability," which the agile Mr. Mallock has supplied them with. The share of production which they claim for "ability," is Professor Rutley's old "wages of superintendence" in a new guise. Our rich business friends around here thank Mallock for his hint, for it enables them to attribute their greater wealth to their greater "ability." They want to distinguish themselves from workers who are not rich, by implying that while they themselves have "ability," the mere workers lack "ability." And indeed the latter do lack the ability to get rich. If they didn't, they'd be rich. But the truth is, Doctor, between you and me and the lamppost, that if our complacent friends are not rich from ability to work, then they are rich from ability to plunder. You understand what I mean. If their "ability" isn't productive, like the ability of the foreman who causes his subordinates to co-operate effectively, then it is furacious, like the ability of the burglar, the forger, or the bunco man. If they are not laborers they are parasites; and even if parasites are not parsnips, fine words won't butter them.

When men boast in this way of the faculty which they call "ability," they ought to explain what kind of ability they mean. They want us to understand, of course, that the "ability" they mean is ability to increase the aggregate of wealth. Now, that kind of ability is fine, provided it is used for that purpose. But that kind of ability when used for that purpose is labor, nothing but labor; and its compensation, no matter how large, up to the point of its productiveness, is wages, nothing but wages. If, however, the "ability" be merely unused ability to labor, or if it be ability to appropriate without productive labor any of

the products that others produce by their labor, then the boasted "ability" of our over-wealthy friends is something to be ashamed of. They are in that case living upon the labor of others, as truly as ever a slave-owning cotton planter was. If they are doing that, they are not paying their way in the world.

Another of Professor Rutley's superfluous categories of distribution was "profits." But what are profits but the total increase out of which all shares are carved? You and I have talked this over before, and we won't say much more about it. But to regard profits as a distributive share of production is like dividing a mince pie into mince-meat, crust, and pie, or into two halves and the whole.

The undertaker? Ah, yes; I see. You mean the "entrepreneur" fellow about whom that university extension lecturer told us last winter. Why the entrepreneur is a speculator who gambles on the success of productive enterprises, winning largely if they succeed and losing largely if they fail. Well, haven't we already considered him? In so far as he is a mere gambler, he doesn't count any more than any other gambler. In so far as he is a co-operator in production, his share is wages—if not of his own direct production, then of the production of others who have sold out to him in advance. He gets high wages on doubtful enterprises that succeed, in consideration of taking none or less than none if they fail.

Let's get back now to our whale-ship illustration. The greater value of that ship coming home laden with whale oil, over its value when it left home to catch whales, is the profit of the voyage; and this profit is to be distributed, that is, divided, among the voyagers and their backers. So with the social service market. Its increased volume of products at any time is profit to be dis-

tributed or divided; according to service if under just conditions, according to powers of mere appropriation if under unjust conditions. To say that some of these products go to some of the inhabitants of the earth as "profit," is to tumble into verbal confusion. To say that some of these products go to some of the inhabitants of the earth for "ability" or in "wages of superintendence," is merely to make a sub-classification, or else to "duck" or dodge. To say that some of these products go to some of the inhabitants of the earth in "insurance," is merely saying that some of them go to folks who speculate in social service uncertainties. But to say that some of these products go in earnings to some inhabitants of the earth as workers, and that some go to others as beneficiaries of special privileges maintained by sovereign power, is a clear differentiation of a practical and fundamental difference.

And not only is this difference practical and fundamental, Doctor, but there is one part of the special privilege share of production which cannot go to the workers. This is the part or share that Professor Rutley called "rent," when he used to lecture us on Ricardo's famous law. Of course workers might get it, but not as workers; it would be as land owners.

For illustration, there is old Farmer Doe. He owns his farm, and if he gets 20 tons of hay off it, all that hay is his. So you may say, if you like, that he gets the full product of his labor in this respect. But what of Farmer Roe? He also gets 20 tons of hay with about the same work; but he has to give six tons or more to Slim Jim Pulsifer, who owns the farm; and most of that six tons or more is for ground rent, for Slim Jim's improvements don't amount to much. Now the sovereign power of the state compels Roe to do that, for it gives Slim Jim the absolute mon-

opoly of the spot of earth that Mr. Roe farms. No one can use this spot without paying Slim Jim for the privilege. The "laws of the land" say so.

But you couldn't change the general principle of that division even if you changed the laws and allowed Roe to keep all his hay just as Doe does. Differences in location would still give advantages of location, which would provide a "rake off"; and even if these "rake offs" were disguised by mixing them up with wages as part of the income of working men, or with "profits" as part of the income of investors in production, or of "entrepreneurs," or of superintendents, they would nevertheless be "rake offs" all the same. You can see this, Doctor, by contrasting Roe and Doe with Peter Curry over on the side hill farm. Curry owns his farm just as Doe owns his; so he gets all the hay he makes, just as Doe does. And Curry works as hard at making hay as either Doe or Roe. But where they get 20 tons, he'll only get 12 or 13, for the bottoms of that side hill farm are not as good for hay as those of the other farms. They "won't more than pay wages," as grandfather used to say. Don't you see, then, that Doe and Roe would get more hay than Peter Curry, though they all worked alike, even if the laws were to step in and put a stop to Slim Jim's absentee landlordism? They would get more because some of their hay would be for ground rent or location advantage, and Peter's wouldn't. They would be getting something for a location on the planet, while Peter Curry would be getting nothing but wages for work.

Now, Doctor, there is no way, I repeat, of preventing this classification of products into a rent fund and a wages fund,—not so long as we allow land to be privately possessed. Nothing short of land communism would stop it. And I for one

don't believe in land communism. I think it is a back number. Our present system of individual occupancy is essentially a good one,—the best we have ever had. It is its abuse, not the thing itself that is bad. But you must understand that with individual occupancy of land, some spots on the planet being more desirable than others, the occupants of those spots will have an advantage. Premiums inevitably result from private occupancy of specially desirable locations. Consequently, under private occupancy we have two natural shares or funds of labor products for distribution. One fund represents the aggregate product up to the point at which there is no advantage of location—up to the Peter Curry point in hay making, let us say. The other fund is the remainder of the aggregate product—the excess on the Doe and Roe farms, let us say, in comparison with Peter Curry's. The former fund may be conveniently distinguished as "wages" and the latter as "rent." To make this distinction is to recognize a definite natural law of division or distribution. It furnishes the fundamental classification. All other classifications are at the best only secondary. But these two, comprising the entire product to be distributed, point to a great social service fact, to the fact that if there are working interests and landed interests in a community, each will be compelled to yield to the other a share of the general profit. What proportions those shares will be, will depend of course upon the equilibrium of power in distribution.

Some say that at least one of Professor Rutley's other shares in distribution has a place—the share, that is, for those who own artificial instruments. You remember that the old professor called these instruments "capital" and their share "interest." My own view of that matter is that artificial instruments fall really into

the category of work or labor—for they are produced, maintained and constantly reproduced by labor,—and therefore that "interest" is only a secondary classification and falls into the primary category of wages. It seems to me that if workers were not "fleeced," as our socialistic friend rudely proclaims that they are, their acquisition of artificial instruments would be like their acquisition of skill, and the interest they got for the one would be analogous to the higher wages they get for the other. But inasmuch as workers are "fleeced," again to quote with reluctant approval from our indignant friend, and to an extent which deprives large numbers of them of all interest in artificial instruments of social service, it may be convenient to divide the social service system into three interests. If we did that, we should have the working interest, or "labor" as Professor Rutley named it; the artificial-instrument interest, or what he meant by "capital"; and the natural-instrument interest, or "land" as the technical term goes. In accordance with that classification we should have to distribute profits in three parts—wages for labor, interest for capital, and rent for land. But in any fundamental analysis, as I think you will agree, we shall be confined to two classifications instead of having three. The artificial instruments, aren't they merely natural materials shaped by human art? Very well. Then in any final analysis, artificial shape must be eliminated as a mere temporary expression of human art; and so the de-shaped material would fall back into the category of natural instruments, pure and simple. If you have workers with the necessary knowledge and skill, and natural instruments and location are available, artificial instruments are easily produced and reproduced, added to, multiplied, improved, and even geometrically progressed.

Not only may this be easily done, but it is done in fact all the time. If labor retained possession of the new instruments it is making hourly it would soon own all instruments of the artificial kind. Think, Doctor, of how little of the volume of artificial instruments that existed ten years ago exists today. Even the buildings and machinery that remain are mightily altered by repairing and keeping up, and for the most part we have new buildings and new machinery. All this has been done in the interval by labor. It is a serious mistake, Doctor, to suppose that there is any great accumulation of capital from the production of the past. There is indeed a constantly increasing fund of knowledge. But each individual has to make this his own by his own hard work. There is no other way.

Glad of your interruption. You are quite right in saying that the term "artificial instruments" does not in verbal strictness comprehend everything that Professor Rutley included in the term "capital." He included money, which is no more capital than a title deed is land, or the bill of sale for your horse is old Dolly herself. But I admit that we must use the term "artificial instruments of production" in a very broad sense to make it include all forms of what is distinctively capital. We must use it so as to include artificial materials as well as artificial tools. And we must not forget, either, that all these things—artificial instruments and materials and the natural ones too—get mixed up with organization, capitalistic organization, market opportunity, as you might call it, in most confusing fashion.

But in fact, Doctor, in any reasonable analysis, capital is identical with unfinished objects of consumption, and both artificial materials and artificial tools are such objects. We have already concluded that wheat, to the extent that it is used

to make bread, is unfinished bread; and that flouring mills, to the extent that they produce flour afterwards made into bread, are also unfinished bread. There you have the whole matter, if not in a nutshell at any rate in a bread basket. All production is for consumption, and every artificial thing used in production is simply incomplete production.

These things, from first to last, are usually called commodities. This, I suppose, is because they are objects of trade. Trade consists essentially in the interchange of commodities. Don't you remember the groceries you bought of the grocery clerk away back at the beginning of these talks, and the food we have bought at Joseph's restaurant? All these were commodities. But they do not exhaust the list of commodities. Houses are commodities. So is the land they rest upon. Farm products, farm improvements, and farm land also are commodities. Mines are commodities—even when the titles are divided into stock certificates, they are still commodities. So are railroad cars and railroad rights of way. Air and sunlight are commodities when they can be bought and sold, as in the case of a room with a sunny exposure, or a location where the air is especially refreshing. Water under like circumstances of purchase and sale is also a commodity. If slavery prevailed, slaves would be commodities. This is enough to show that commodities are various in essential character. The only quality that is common to all commodities is exchangeableness and value.

Now, Doctor, isn't it obvious, in view of the variety of commodities, that classification is necessary for clearness. Wouldn't he be a mighty poor reasoner who allowed himself to reason, as if fundamentally, about such fundamentally different things as men, the planet, houses, groceries, cloth-

ing and the like, without distinct classification? Have to put men in a different category from the planet? Of course he would. And groceries in a different category from either, wouldn't he? All of them are or may be commodities; that is true enough. But some commodities are natural objects, and others are artificial objects. This difference is vital. For artificial objects are human products; whereas natural objects are the ultimate sources and means of human production. The difference is as discrete as that between a spring of water and a pail of water from the spring, between a house and the source of its materials or the site upon which it stands, between a marble statue and a marble quarry.

These essential differences in commodities may be fairly and completely distinguished, I think, by assigning them to three classes: commodities that are final products, as the bread you have just brought home from the baker's in order to eat it at your table; commodities that are artificial instruments of production, as the flouring mill and the wheat it grinds and the flour it turns out; and natural instruments, as the field wherein the wheat is raised, the site on which the mill is erected, and the mineral deposits and the forest growths from which the material for the mill and its machinery are obtained. But as the artificial are produced from the natural by human labor, I repeat that in the last analysis we have only two social service factors, human energy and natural instruments; and two correlative categories in the distribution of products, the value of work and the value of planetary opportunities for work.

This is what I supposed we had virtually agreed to when we concluded at our last conversation that every instrument of social service in production belongs in one or the other of those two classes—natural instruments or artificial instruments. It

is the latter of these two classes that I wish to talk about first. But it's getting late, Doctor, and we'll have to take up that subject when we meet again.

Before I go, however, let me ask you to jot down on that pad upon your desk a little diagram of these distinctions for you to think upon between now and our meeting again. Put down these words in a column to the left of the pad: "Workingmen," "Managers," "Business men," "Promoters," "Professional men." Yes, "Farmers," if you want to; but they are really already named, for a farmer is either a business man or a workingman or both—a farmer, I mean, who farms farms instead of farming farmers; for I have known mere land owners to call themselves farmers. Yes, add "Farmer"; it'll do no harm. Now what does your whole list mean, and what would it mean if you lengthened it out with every kind of industrial class you could think of—what would it mean except that you have here a lot of varieties of "Human Activity"? Very well; now draw a line to the right of your list and put "Human Activity" on the right hand side of it. Let's see your pad. Yes, that's it:

$$\left.\begin{array}{l}\text{Workingmen}\\ \text{Managers}\\ \text{Business Men}\\ \text{Promoters}\\ \text{Professional Men}\\ \text{Farmers}\end{array}\right\}\ \text{Human Activity.}$$

Very good. Now pull off that page and write on the left side of the next one: "Buildings," "Machinery," "Ships," "Railroad equipment," "Cloth," "Lumber," "Pig iron," "Steel rails." Oh, as many more items of that kind as you wish; but those are really enough, for no matter how long you make the list, you have still got nothing there but "Artificial Instruments of Production." So draw

your line as before and put down the classifying words. That's right:

Buildings
Machinery
Ships
Railroad Equipment
Cloth
Lumber
Pig Iron
Steel Rails

Artificial Instruments of Production.

Once again, Doctor. Take the next sheet and write such things as "Soil," "Building sites," "Water supply," "Oceans," "Railroad ways," "Seashores," "River banks," "Mineral deposits." Won't that be enough? They are all in the category of "Natural Instruments of Production," don't you see? Yes, add more if you want to, and let me see the result.

Soil
Building Sites
Water Supply
Oceans
Railroad Ways
River Banks
Mineral Deposits
Sunlight
Air

Natural Instruments of Production.

There, Doctor, you have in brief the essence of all our talk of today. Now sum it up yourself.

Human Activity
Artificial Instruments
Natural Instruments

Produce Consumable Objects.

That's all right enough. Human activity, utilizing Artificial Instruments in connection with Natural Instruments, produces Consumable Objects. That is what you understand, isn't it? But why leave Artificial Instruments there? They are necessary, of course, but to the processes of labor and not as a condition of labor.

No, indeed, I do not forget that they are

monopolized. Not for one moment do I forget it. They are monopolized for a fact, and workingmen are put at an enormous disadvantage in consequence. So are business men, if they could but realize it. No, sirree; I am not forgetting the workingman's plight for lack of capital, nor the business man's troubles about capital. There are circumstances in which artificial instruments—"capital," "machinery," as our socialistic friend calls them; "capital," "money," "credit," "cash," as Slim Jim Pulsifer would say—there are circumstances in which these instruments of production become supremely important. And we are living in such circumstances today, Doctor.

This reminds me that I have here in my pocket a letter which puts that point very lucidly. The letter is from our friend Oliver R. Trowbridge, the author of "Bi-socialism," you know. Let me read a sentence from it. This is what Trowbridge writes: "While production is fundamentally a matter of human activity and natural instruments, yet when the latter is withdrawn or withheld from the former"—when land is monopolized, don't you see—"the secondary factors, or artificial instruments, are raised to a place of practically fundamental importance, inasmuch as they are made to do duty as a substantial substitute for natural instruments in the hands of all those who are dispossessed of the latter." That's all true, Doctor; and so is Trowbridge's additional comment: "This makes a monopoly of natural instruments all the greater an evil, since it tends directly and necessarily to create a corresponding monopoly in artificial instruments." And now listen to this acute diagnosis of the whole difficulty, which I read from the same letter you see: "The worship of the 'machine' by the workingman, and of 'cash' by the business man, is not really the result of nightmare, but of astigma-

tism; they simply fail to see things from the right angle. But they see what they see, all the same; and it is useless to try to convince them that they do not." To that also I say, amen. For I am not trying to convince you, Doctor, that capital is not of vital importance. Quite the contrary.

And so, when I ask you to alter the summing up of industrial forces, on your pad, by striking out the item of Artificial Instruments, and explain that they are not necessary as a condition of labor, I don't want you to ignore my further explanation that they are necessary to the processes of labor. I am not asking you to ignore the fact that monopoly of capital is a terrible weapon against workingmen. What I am asking you to do is to try to find out the reason why.

In order to find out why, we must make a final analysis of industrial conditions. And in a final analysis, wouldn't you strike out that item of Artificial Instruments? Wouldn't you—merely for the purposes of a final analysis, mind you; of making a good solid basis for future reasoning—wouldn't you for those purposes leave out that item as representing only a part of the process of Human Activity, instead of being one of its primary conditions? Since you would still have Human Activity and Natural Instruments, you would really have every needful condition of production. Aye, aye; that's the way to put it:

$$\left.\begin{array}{l}\textbf{Human Activity}\\ \textbf{Natural Instruments}\end{array}\right\}\ \begin{array}{c}\textbf{Produce Consumable}\\ \textbf{Objects.}\end{array}$$

Now you have the complete analysis, don't you see? Human Activity utilizing Natural Instruments produces all Consumable Objects, including the necessary Artificial Instruments.

You don't think you could analyze any farther, do you? Of course not. You are now at the point

of last analysis. If you think you can upset that last diagram by leaving anything out, try it on against our meeting again. Take my word for it, however, you'll fail. But if you grasp the simple primary truth of that diagram, as a starting point, Doctor, we'll have smooth sailing the rest of our way.

CHAPTER XIII.

Artificial Instruments of Social Service.

At our last interview we were intending to speak a little more specifically, Doctor, about artificial instruments of social service as distinguished from natural instruments. Certainly, I allude to the entire class, to all the artificial instruments of social service, including artificial materials as well as tools—that is, to all the materials and tools of production and distribution that are shaped by human activity. "Distribution"? yes, I am now using this word in the sense of transportation, sale, delivery, and not in the sense of division of profits. I have said, you will remember, that artificial instruments, while not necessary as a condition of producing consumable things, are absolutely so as part of the process. Think a moment, Doctor, of the absolute necessity, as part of the productive process, of those artificial instruments, including artificial materials—"capital," as Professor Rutley would have called the whole thing,—think of the impossibility of getting along in a human way without them.

Did it ever occur to you that they are absolutely necessary to human life? Yes, to any kind of human life, even to solitary human life. Animals, mere animals, may live without artificial instruments; but man cannot do so long, without falling to the level of mere animals. He would have to go naked, for clothing cannot be made without artificial instuments. He would often have to go hungry, for food cannot be cultivated or stored

without them. He could not even get water to drink except as he waded into a river or crawled upon his belly to the edge of a brook or a spring and lapped it like a dog or sucked it up like a horse or a cow. As for housing, he would have to roost upon tree branches, or sleep under the open sky, or hide in natural caves; for no artificial shelter is possible without artificial instruments. The instruments may be crude enough, but instruments there must be and artificial at that. How long do you think it would take to turn us all into filthy brutes, if artificial instruments in aid of the satisfaction of our natural wants were "taboo"? Don't you think that two or three generations would do it for us, quite disgustingly if not quite completely?

Social service would be almost altogether out of the question from the word go. One couldn't carry water to another without a vessel, which would be an instrument in some degree artificial; and while a few interchanges might be possible—a handful of berries or nuts or roots literally carried in the hand, or a chunk of edible flesh, if you choose to regard those things as lacking in the artificial quality, which in strictness they certainly would not be—yet the very limited possibilities and their attendant difficulties would be likely to discourage even such simple interchanges as might be feasible. We never realize, Doctor, how extreme is our need for artificial instruments of production until we think of how we should fare without them. But when we do this, we see—if we are honest with ourselves—that social service is absolutely dependent upon artificial instruments. Even in its simplest operations, it is impossible without artificial instruments of simple form at least, including artificial materials of simple substance; and as it becomes more and more mighty in its powers, and infinitely more complex in its processes, and there-

fore incalculably more useful in its possibilities, social service requires artificial instruments, gigantic in magnitude, delicate in adjustment, and increasingly complex in operation.

The change is so tremendous as to seem like revolution instead of progression, and many historical students are stunned by it. In their mind's eye they see a civilization in which men used artificial instruments, transformed into one in which artificial instruments seem almost literally to use men.

Nor does this social mirage appear to any of us to be as absurdly upsidedown as it really is. You and I look back to our boyhood, Doctor, and behold one of the carpenters we knew, with a kit of tools upon his back ready at the word to serve any of our neighbors who wanted his service, by building or repairing almost anything from a dog house for "Tige" at the front gate, to a bureau for mother's bedroom or a desk for father's den, to say nothing of a huge barn for the cattle. But how is it now? The wide range of work in which the carpenters of our youth were skilled, and which they could do with the handsaw and hammer and chisel and square and auger and gimlet and adze that they carried in their kits, or, if they were thoroughly equipped, in their tool chest the size of a trunk—this wide range of work is now so minutely specialized, the tools are so large and costly, and the methods of operation are so intricately organized, that the worker in wood must seek employment of a master, usually a soulless corporation, in some great factory. He seems no longer to carry on his trade with artificial instruments of social service; they seem indeed to carry on their trade with him.

No, I do not believe that it really is so. I do not believe that the gigantic tools of today really do own the worker of today. No, again, I do not

believe that the owners of the tools exploit the workers, through owning the tools. You may think it a paradox when I say that although the social service workers of today are absolutely dependent for social life upon artificial instruments of production, yet they are not dependent upon the owners of those instruments. But it isn't even a paradox; for a paradox is an apparent contradiction which is not a contradiction in fact, and there is not even an apparent contradiction here. Yes, I will explain.

What if I should say that spiders are absolutely dependent upon spider webs for catching flies, but add that they would not be dependent upon owners of spider webs if there were owners who owned all existing webs? There would be no contradiction in that, would there? You would instantly say that as spiders make all the spider webs they need, their deprivation of existing webs by web-owners could at the worst only inconvenience them temporarily. Well, the principle is the same. Human workers in the social service market, not only need to use artificial instruments of production, but they make them, make them all—not merely *did* make them once, but *do* make them now—make them right along, all the time.

It is just here that the philosophy of our socialistic friend breaks down. In his talks with us he is mighty near right most of the time, even if he doesn't always hold his righteous wrath in polite restraint. I don't mind that, for I believe with Charles Lamb that good temper in argument is not necessarily evidence of sound doctrine. The cynic will support a falsity with good temper, while the earnest man defending a truth gets angry at cynical opposition. So our socialistic friend is often right even in the heat of his anger. But I think he goes off on the wrong scent when he attributes the economic weakness of the "work-

ing class"—as he calls the working interests in the social service market,—to ownership of the artificial instruments of production by the "capitalist class," a term by which he designates parasitic interests. The economic weakness of the working interests is indeed due to their segregation from indispensable instruments of production; but it is not due primarily to their segregation from those which, though indispensable, are artificial. This segregation is a result, not a cause.

How could it possibly be due to that? If the working interests themselves produce all artificial instruments of production, how can the working interests be segregated from them? There are only two ways, Doctor. One is some form or other of the old slavery way of making the master the owner of all the slave produces. But the evil here is the assumption of sovereignty over the man himself; all the rest is incidental to that. The other way is crudely typified by one of the freeman phases of feudalism. While the worker might have been free under feudalism, and nominally the owner of all his products, the landlord owned his indispensable natural instruments of production, and by means of that lever of coercion indirectly confiscated his products. But here the evil was the landlord's ownership of the natural instruments; all the rest was incidental.

This latter coercive force has come down into our own times and country as one of the phases of capitalism. It has come, moreover, with power enormously magnified and subtlety intensely refined. Of that, however, we must speak on another occasion. At present I don't wish to dwell on the subject of natural instruments. What I want is to have you grasp the full function in social service of the artificial ones, and to measure the full scope of the power their monopoly can exercise over the labor interests of the social service mar-

ket. Observe my point. Monopoly of the artificial instruments of production does give coercive economic power, but not in itself; and whether these instruments be the carpenter's little kit of tools of our boyhood, or the great factory of today, makes no difference. My reason for this belief is that the labor interest of the social service market, taking that interest as a whole, not only needs these artificial instruments as vitally as the spider needs his web, but makes and remakes them as truly as the spider makes and remakes webs,—and this continuously.

Yes, no doubt of it; our good friend down the street would say that each spider can make his own web, whereas no modern workingman can make his own artificial instruments of production, or use them alone if he could make them. But the principle of my spider-web illustration would be the same if it took many spiders to make a web. Even then, spiders couldn't be exploited as a whole; and as long as they had a place for their web and were not prevented from co-operating they couldn't be exploited individually. The same is true of workingmen. Given the natural instruments of production, and freedom to trade among themselves—no prevention of co-operation, don't you see—and nobody could exploit the labor of any of them.

I do indeed remember very well how our friend has told us that a worker cut off from the big machine "which works him" and which he can never hope to own, is as helpless as a boy in a boat a thousand miles from shore; that a machine-using animal without machinery is as pitiable an object as a land-using animal without land. And what he says is true. That is, it is true of *a* worker. But it is not true of working interests as a whole. Aye, "working class" as a whole, if you desire for convenience of conversation, provided we do not

allow the word "class" to confuse us. If we adopt it we must stick to the meaning of our socialist friend when he falls back upon Marx and calls it an expression of the entire working force or energy in society regardless of individual functions, or something to that effect. If we use the word "class" we must draw the line at useful work by whomsoever done, and not narrow it so as to include nobody but hired men. And if we say working class instead of working interest, we must recognize that every one is of the working class to the degree that he is a social servitor, even though the rest of him is of the exploiting or parasitic class. I prefer "labor interest" to "labor class"; but with that understanding we'll say "class."

Now it is quite true, as you remind me, that our friend admits that the working class as a whole would not be quite as helpless as the boy in a boat a thousand miles from shore, even if this class were cut off from all existing machinery. He insists, however, that the workers would be at great inconvenience; and I agree with him, although I don't think the inconvenience would continue as long as he does. In my prophetic vision the grinding inconvenience could last but a few months, and the social service market would be better equipped with artificial instruments after a decade than it is now. Look at San Francisco after the earthquake, at Chicago after the fire, at Galveston after the flood; and remember that the labor class—that is, the labor interests of society—did it all.

Our friend's prophetic vision looks at this prospect through the other end of the opera glass. Yet he does admit that before very long the labor class would replace all the artificial instruments we now have, with as good or better ones, even if it were so completely cut off from those that exist as to be obliged to dig the next minerals with fingers and to cut the next sticks with flints. So far we

agree. And I reckon that if it came down to brass tacks he and I would also agree that if the labor class or interest were cut off from all existing artificial instruments, it wouldn't be necessary to replace many of them except as they wore out. For if labor were cut off from them they would go to waste, and with that prospect their owners would make pretty liberal labor terms. Don't you think they would probably give to the labor class its full earnings just for the sake of having the machines used so as to pay for themselves?

Why, Doctor, imagine what would happen if a new continent were to spring up over night out in the Atlantic, say fifty miles from the coast. Ah, yes, there is no difficulty in imagining what would happen if our present land laws were to apply. Every fellow that could get a boat would rush over and stake out a big claim, so as to have the power of imposing terms upon labor. Every body would try to be a landlord on this new continent. Everybody would go over to exploit laborers, not to do labor. But suppose that in some way it were fixed so that nobody could have any more of that continent than he actually put to the best and fullest use. That would discourage the land grabbers, wouldn't it? And if it were a fertile continent, this new continent out in the Atlantic, workers would go over there in droves and work co-operatively for themselves. You ask how they would get there! Do you suppose that great masses of men, including those who know how to cut timber and to build boats, would be at any serious difficulty in crossing that fifty miles of water, if after they got there they were to be subject to no exactions from land-grabbing "sooners"? You may bet your boots they would get there. And what would they do for capital after getting there? Make it, of course. An army of men will soon make all necessary capital if you give them access

to the raw material. Look at your diagrams again, Doctor. Don't you see that Human Activity with Natural Instruments produces everything, including Artificial Instruments?

But, Doctor, the real joke of the thing is this, that there might be no migration at all to that new continent—not for the purpose, at any rate, of getting where you could keep all your own earnings. For the very fact that there was such a place, so easily accessible and so inviting to all energetic workingmen, would put this old continent into competition for workers. The New Continent would say, almost in words: "Come over here, boys, and work, and no one shall fleece you." And how do you suppose the Old Continent would respond? Almost in words, also, wouldn't it say: "Stay here, boys, and you shall hereafter keep all you earn." And if the New Continent called back, "Come over here and you shall own all the capital you create," wouldn't the old Continent reply: "Stay here and you shall not only own all the capital you create but you shall have the use of all the old capital to create it with."

I tell you, Doctor, there is no coercive power to the monoply of capital except as it is derived from the monopoly of land. Put free land into competition with monopolized land, and monopoly of capital would disappear. But with monopoly of land, monopoly of capital is as destructive to labor interests as our socialistic friend says it is.

He doesn't look at the matter as I do, but I think him mistaken. Suppose we summarize his point. Doesn't it amount to this: That the labor class uses machinery; the labor class is dependent upon machinery; the labor class produces and maintains machinery; the labor class has been despoiled of the machinery it has produced in the past, and is being thereby despoiled of the machinery it does produce in the present. While he admits that the

labor class could reproduce the machinery of which it has been despoiled, he seems to admit it as an academic theory only, and to deny it as a practical possibility of capitalistic social life. He appears to think that the labor class would not be patiently cohesive long enough to pass through the period of reconstruction successfully. At any rate I so understand him.

Now of the labor class as a group of distinguishable or classifiable persons our friend's conclusion might be true. But of the labor interest as a social service force, I don't think it is true. Our friend ignores the pressure of those natural laws of social service which you and I have been over and accepted. Let us review them in the light of his sociological doubts. Do you recall the first of those laws, our "sign of the thumb"? It reminds us that men seek to satisfy their desires with the least exertion—the social service law of the line of least resistance. Then the "sign of the index finger": the direction of the demand for service determines the character of the supply of service—the equation of supply and demand, mind you. Next, the "middle finger": every one who works, virtually produces what he buys with his work. Next, the "sign of the third finger": mutuality of competition, if unobstructed, gives his full earnings to each worker. Pursuant to those natural laws of social service, Doctor, wouldn't the labor interests of society get and keep the artificial instruments of production they produced, immediately upon the removal of the fundamental obstructions to the free operation of those laws?—upon the removal of obstructions to trade and of interferences with access to land? And wouldn't every worker get about in proportion to his contribution of work?

Since everybody seeks to satisfy his wants with the least exertion, the labor interests would surely

have, as indeed they have already, a common impulse to utilize the easiest possible modes of production and to secure the largest possible share therein.

Since this impulse regulates demand and supply in the social service market, an increase in the supply of artificial instruments would instantly follow any attempt at monopolizing the existing supply, and thereby lessen the monopoly of all, until the point of no monopoly had been reached.

Since every one who works produces in effect what he buys with his work, acquiring what he works for in exchange for what he works at, every worker wanting an interest in the gigantic artificial instruments of production would not only in effect produce, but would retain, an interest in so much of such instruments as he might need to prevent his being cut off from access to artificial tools of production.

And inasmuch as mutual competition gives full earnings to each worker, maintaining an equilibrium at which each gets of what he wants the equivalent of what he produces, no worker would be underpaid.

Operating freely together these natural laws of capitalism—the essence of which is free contract on a basis of contractual equity—would secure to the labor interest or class, what our friend hopes to secure to it only by abolishing capitalism or "evoluting" out of it. It would do it easier, I am sure; and better, much better, I think.

The reason this much to be desired result is not already experienced, Doctor, is because those natural laws of capitalism are not allowed to work freely. Reflect upon it and I think you will agree with me. Conventional laws and social institutions with reference to property, have placed obstructions in the way of the free operation of those natural laws. Among the obstructions are a

variety of conventional laws that prevent mutuality of competition, thereby unbalancing supply and demand and making service coercive instead of cooperative. This alone would put the labor interest, the labor class, if you please, at a deadly disadvantage. But other conventional laws and institutions are even more fundamental in their evil operation.

In the last analysis all obstructions to the free operation of these natural laws spring from governmental power. International commerce is burdened with tariffs; domestic production and commerce are burdened with taxes levied in proportion to the expenditures of productive energy; inventions are monopolized on the one hand by means of patent laws, which forbid their production, and discouraged on the other by the operation of those patents, which interfere with the production of kindred yet different inventions—and especially with improvements upon patented inventions. But the misuse of governmental power that is fundamental and all inclusive in its obstruction to the operation of natural laws of social service, is that misuse of this power which makes private monopoly of the natural instruments of production. It is to the power of this monopoly that the monopoly of artificial instruments is traceable, and of that power I shall ask you to think with me when we meet again.

CHAPTER XIV.

Natural Instruments of Social Service and Their Capitalization.

At our last conversation I was saying, Doctor, that it is monopoly of the natural instruments of production to which the monopoly of artificial instruments is traceable. In reality, therefore, it is that monopoly, and not monopoly of the artificial ones, which coerces the working interests of the social service market and despoils them. Our socialist friend down the street contends that it is monopoly of both, and I am admitting that in a superficial way he is right. Both are in fact monopolized; and the ill effect of this double monopolization is most keenly felt by hired workingmen, especially at their point of contact with the artificial instruments. But my contention is that under conditions otherwise free, there could be no monopoly of artificial instruments without monopoly of the natural ones. By "otherwise free" I mean in the absence of slavery, patent monopoly laws, or other direct coercion of the person.

Isn't it clear to you?—it seems clear enough to me, at all events,—that with the natural instruments of production and delivery unmonopolized, and with men unenslaved personally, artificial instruments unpatented could not be monopolized. Wouldn't it be altogether impossible? On the other hand, isn't it equally clear that even though men were personally free, and there were no patents forbidding production, yet if the natural instruments of production were monopolized, mo-

nopoly of artificial instruments would inevitably result?

What's the use, then, of insisting that economic coercion of labor interests is due to monopoly of both kinds of instruments? And what's the use of proposing schemes for subjecting both to regulation, or governmentalization, or socialization, or communalization, or whatever else you choose to call it? Why not hit the efficient cause plumb in its solar plexus and knock it out? Why not establish equity with reference to artificial instruments indirectly, by establishing it directly with reference to natural instruments? Why not establish it with reference to the former as the consequence, by establishing it with reference to the latter as the cause?

But our socialistic friend is no fool, Doctor, as you very well know; and if we try to get his point of view, instead of insisting upon putting everything he says to the test of our own point of view alone, I think we shall find a valid reason for what we regard as his misapprehension. I may be mistaken, of course, but I am under the impression that I know his reason, and that on the face of it it is a good one. Some of these days I shall venture to elaborate it a little, but not now. I allude, however, to the fact, upon which he lays great stress, and rightly so, that we are living in a capitalistic age.

Everything that will yield an income is capitalized. It has a selling value, a capitalization, based upon expectations of its power to save the cost of labor. A certain machine, let us say, is capable of producing as much wealth with the labor of one man as ten men could produce without it. It will, therefore, yield to the owner, if he allows it to be used, a certain annual net income over its cost and the wages for operating it; and the expectation of this net return will give

to the machine a selling or capitalized market value in proportion to the rate of commercial interest. If interest is 5 per cent a year, a machine with a potential net yield of $100 a year will capitalize on the basis of what is called "a 20-year purchase." Don't you see it? Listen. If you had an assured income of a hundred a year, wouldn't you sell out if anybody would buy for a satisfactory price? Well, you wouldn't sell out for one year's purchase, would you? You would want more than a hundred dollars, I guess, for turning over to somebody else your right to a hundred a year. Yes, indeed. All right, but how would you figure out how many years' purchase you ought to get? How would you decide upon what capital sum you ought to have? Of course, of course; that's it. You'd say this is a question of interest on capital, and as interest is 5 per cent, our old rule-of-three will tell me what I ought to have. And so you would figure: As 5 per cent is to 100 per cent, so is $100 to the capitalized value of my 100-dollar annuity; and by our old rule-of-three that would be $2,000.

Oh, no doubt, no doubt; other factors would enter into the bargain, and these would make the capitalization somewhat higher or somewhat lower. But approximately, $2,000 would be the capitalization of your $100 annuity under a commercial regime of 5 per cent interest; and for similar reasons this would be the capital value of the machine if its working life were approximately twenty years. If the machine were reproducible for less than $2,000, then to be sure it would sell for less; but in that case, other things being the same, it would yield less than $100 a year on a 5-per cent interest market. By no possibility would a machine reproducible for a thousand dollars yield as much annually, measured by value, as one reproducible for not less than two thousand dollars, no

matter what the rate of interest might be. The point is, you see, not that the exact relation of 100 to 2,000 exists under all circumstances; but that there does exist, with approximate constancy, a proportion between income and capitalization, the determining factor of which is the rate of interest. Given rate of interest and capital value, and you figure out approximate annual income; given annual income and rate of interest, and you figure out approximate capital value. That's all there is to it—allowing, of course, for risk and repair.

Now, in a commercial regime it is precisely the same with natural instruments—with places or sites, that is, and the resources of this old planet of ours. Here is a piece of land, let us say—a space on the planet, which is the natural roof of a mine, the natural site of a building, or the natural location of a farm. If this bit of land will yield to the owner a certain annual net income over and above the cost of necessary artificial instruments and the wages of necessary labor, won't the expectation of that income give to the land a selling or capitalized value? And won't that capitalized value be determined in the case of the land, precisely as in the case of the machine, by the rate of commercial interest? Surely. If interest is 5 per cent, a piece of land with an expectant net yield of a hundred a year will capitalize on the basis of a 20-years' purchase.

So it makes no difference to the capitalist, don't you observe?—and please do observe it, for here we are at a vital point in the difference between our socialistic friend's industrial philosophy and mine—it makes no difference to the capitalist, I say, whether he owns this land or that machine. His property of both kinds will be approximately identical in capitalized value.

And it would be the same with a slave, if slavery were still a business institution, as it was in

the commercial centers of the South in our school days. Under a 5-per cent interest regime, a slave with an expectation of 20 years of full productive life averaging $100 a year over and above the expectation of his "keep," would capitalize on the basis of 20 years, which would be $2,000, precisely as in the case of machines or land.

Don't you see, then, that in a capitalistic era, it makes no difference to the capitalist—accidental differences apart,—whether he owns a $2,000 machine, which is an artificial instrument of production, or a $2,000 piece of land, which is a natural instrument of production, or a $2,000 laborer? Interchangeable on an equality, because they are capable of yielding about the same net income, the essential differences of those essentially different things are obscured by their value identity. We are apt to lose sight of their importance as "use values," to adopt our socialist friend's term, by confining our attention to what he calls their "exchange value." Business men habitually think of them as altogether identical in character because they are interchangeable as commodities; and our socialistic friend stumbles at the same capitalistic hurdle that trips up the business man.

The lesson to be learned from this is that natural instruments are natural instruments whether capitalized or not, that artificial instruments are artificial instruments whether capitalized or not, and that laborers are men whether capitalized or not. Capitalizing them does not change their character, nor their nature; it does not obliterate their essential differences; it does not obviate the necessity of distinguishing between them. We must reason about the planet as man's natural standing place and natural storehouse, about man as the monarch of the planet, and about the artificial products he draws forth from the bosom of the planet,—we must reason, I say, about these

three fundamentally different things with the same recognition of their fundamental differences, when they are capitalized and their essential characteristics obscured by commercial valuation, as if they were owned by three distinct classes of persons and under three distinct kinds of title.

Oh, yes; I have heard all that talk about value being homogeneous, about its being one in volume and indivisible in character. But so is water in a tank one in volume, and homogeneous and indivisible in character; and yet we analyze it into its chemical substances. Why, then, may we not analyze values into their economic substances? Not only can we do this, but we must do it if we are to reason about value.

Just go back to your "Uncle Tom's Cabin" days, Doctor, and think a moment of an old-time plantation down South. There was a capitalistic investment there of something like $100,000, let us say. As a volume of value it was as homogeneous as any volume of water you ever saw. But analyze it, and what do you find? Part of it was the value of cotton gins, buildings, growing cotton, and so on—the value, that is, of artificial instruments, of capital. Another part was the value of slaves—the value of men, of capitalized labor power. And the rest was the value of the site of the plantation, of its place on the planet—the value, that is, of natural instruments, of land. All this value was homogeneous in the market, all one volume as a body of water is, all indivisible in character. It was all "capital," if you want to speak loosely and after the manner of men of business. But there were in truth three kinds of capital, each absolutely different from either of the others.

Make a test. How could you destroy the values of those three kinds of capital? The value of the artificial instruments, of the capital in the strict sense, could not be destroyed without destroying

the instruments themselves. No mere legislation, at any rate, could wipe out their value, so long as they were useful in social service. But legislation could wipe out the value of either of the two other kinds of "capital," and without impairing its usefulness in the slightest. An emancipation law would destroy the value of the labor "capital;" yet all the labor power of the emancipated men, theretofore having a capitalized value, would remain. So a suitable agrarian law would wipe out the value of the land "capital;" yet the land with all its productive potentialities, theretofore having a capitalized value, would remain.

The common sense truth is, don't you see? that value is not an economic substance at all. As I have frequently pointed out to you in different connections, it is a mere mode of market measurement, similar in essential character to other modes of measurement. The owner of 1,000 feet of lumber doesn't own feet; he owns lumber. If he trades it for so many cubic yards of stone, the substance he gets is not cubic yards, but stone. If he trades that for so many pounds of salt, the substance he gets is not pounds, but salt. And so with value. The owner of $1,000 worth of lumber owns lumber, not dollars. If he trades it for $1,000 worth of stone or salt, the substance he gets is stone or salt, and not dollars.

What if he has a note or a bond? Why, the substance he owns in that case is not the value of the note or bond. He simply has a legal right to exact that value measurement of lumber, or stone, or salt, or other commodity, from somebody. If he owns 100 shares of the stock of a corporation, it is not value he owns—not as a substance; what he owns is a certain proportion of the commodities which that corporation has the power to distribute. His proportion will be assigned to him periodically in terms of money; but that will be

simply an order on the social service market for the commodities, up to the money measurement, that he desires. Inasmuch as this assignment is periodical, the shares will have a capitalized value, according to the capitalistic rule of three I have already referred to to-day.

And so it goes, Doctor. The substantial thing, the essential thing, in the social service market, is not values; it is not money terms; it is not dollar marks or other financial symbols—no matter whether they make a homogeneous and indivisible volume of value or not. These things are only devices for measurements in trade. The substantial and essential things are the commodities they measure the value of.

And when we consider what commodities are, we find, as I have explained before and doubtless shall again, that under capitalism they may fall into three classes—capitalized labor, capitalized land, and capitalized capital. But don't allow the fact of capitalism, nor any variety of terminology, to confuse you, Doctor, as to the essential differences of these three things. Capitalized labor drops out with the abolition of slavery, but labor itself does not. Capitalized land would drop out if differential advantages of location were financially equalized by the abolition of land monopoly, but land itself would not. As to capitalized capital, you may refresh yourself with that diagram you made the other day at my suggestion. In the last analysis, capital—the volume of artificial instruments of production—is merely a product of labor, whether free labor or slave, applied to land, whether monopolized land or not.

Pardon me, Doctor; indulge me a little further. I have not yet wholly explained our socialistic friend's misapprehension as I conceive the explanation to be. I have spoken only of the habit he has in common with business men, of

confusing the natural with the artificial instruments of social service. This habit is doubtless due very largely to the fact of their interchangeability, and their consequent capitalization in common. Being the same in capitalistic appearance, they seem to him to be in the same category of social effects and causes. And you know how earnestly our friend urges his historical point—the theory that we have passed from the age of feudalism into what he regards as the fundamentally different age of capitalism. He thinks, you will recollect, that in consequence of this change, monopoly of land has become of less importance than monopoly of capital—or at any rate of no greater importance. Here again he appears to me to be under the influence of a capitalistic superficiality. It is really, I take it, first cousin to the other one. Don't you think it about the same? Surely there can't be much difference. If we think of capital (an artificial and reproducible product of land), and of land (the natural and unproducible source of capital), as identical because they are interchangeable in trade, we are not far from the equally mistaken idea that monopoly of capital has come to be of equal or greater social importance than monopoly of land. But, however that may be, let's consider our friend's historical argument.

CHAPTER XV.

Feudalism.

We have, indeed, passed from an age of feudalism to an age of capitalism—from an age in which the landlord was dominant, to one in which the capitalist is dominant. But our socialistic friend loses his balance, I think, over the essentials of this transition. What if the capitalist has displaced the landlord? Does it follow that the powers which may be incidental to capitalism have superseded the powers that are incidental to landlordism? I think not. To accept such reasoning is to put form above substance. It is to regard the ephemeral name or mask of landlordism as more vital than its essential power.

In the feudal period, which was quite distinctly an age of landlordism, there were no capitalists in the modern sense. To be sure, it is true that in the free commercial cities there was commercial capital even in feudal times, and a degree of capitalization of land such as distinguishes present day capitalism. But those cities were only capitalistic pioneers, mere intruders here and there into the vast social territory over which landlordism held undisputed sway. As a rule, the landlord class was the ruling class; the working class was the dependent class; and the capitalist class, to the extent that there was one, was a toady class. You know the "push" that society's uppertendom of today contemptuously calls "climbers." Well, the capitalist class under feudalism was a good deal of the same breed—obsequious to their "betters," the landlord class, and

insolent to their "inferiors," the working class. Yet they were the germ of a new kind of aristocracy which is only now coming into flower.

Strictly speaking, there were only two social classes in feudal times, the landlord class and the working class; for the capitalists were workers as well as "climbers,"—workers in their manufacturing and commercial pursuits, and "climbers" in their ambitions for power. Landlord and worker, social monarch and social servitor—these alone can be distinctly classified in the feudal regime, both as to their economic interests and as to their personality. But with extensions of personal liberty, the working class evolved capitalistic interests which encroached more and more upon feudalism. Those encroachments are traceable, however, to no such economic power of capital monopoly over land monopoly, of monopoly of the artificial instruments of production over monopoly of natural instruments of production, as our socialistic friend infers. There was no substitution for land monopoly of capital monopoly. There was simply a commercial absorption of landlord interests by capitalist interests. As the landlord class under feudalism had held dominion over the labor class, including what there then was of a capitalist class, so the capitalist class has come under capitalism to hold dominion over the labor class and what there is left of the landlord class. But this has involved no shifting of economic power from the natural to the artificial instruments of production. It is nothing more than a shifting of the ownership of the natural instruments of production from a landlord class to a capitalist class. The relative power of land monopoly and capital monopoly remains unaltered. What difference can it make to the rest of us, Doctor, whether landlordism absorbs ownership of capital, or capitalism absorbs ownership

of land? The thing that really concerns us is the question of how we shall most easily and most effectively dry up the source of the evil power of either.

Our friend refers to capitalism, you recall, as a stage in the progress of society from protoplasm to perfection—or, as old Judge Stinson used to say sometimes when he struck a snag in a farm survey, "from approximately thence, to there or thereabouts." He looks back to feudalism, you remember also, as an old landmark along the same social highway; and he accounts for it as an evolution from what I shall have to call the personal slavery period, for I forget the name he uses. His history of this great human pilgrimage is all right in the main, I suppose; but I have my doubts about some of his interpretations, haven't you? In resolving our doubts, we can't go back to protoplasm quite as confidently as our friend does, in the simplicity of his materialistic faith; for even you, my dear Doctor, with all your tendency to agree with his philosophy of the origin of things, are inclined to balk at some of his inferences. But we may in our minds run rapidly along the path of this pilgrimage from the point at which it debouches from the wilderness of scientific conjecture into the foggy lowlands of history.

No, indeed, I guess we won't try to settle any of the disputes of the historically learned. We won't try to settle anything. We won't even try to be profound. We will merely try to brush up on such general learning as can be obtained from any good school history. The trouble with people these days is not that they don't know enough to consider their social problems, but that they don't think enough about what they know. What do we find, then, as we glance down the pathway of economic history?

Well, leaving out the protoplasmic secrets and the mystical Edenic era, the era of the innocence of ignorance, we confront the history of human progress at a point where human selfishness had in one way and another acquired the power of getting service without giving service. This was apparently done at first by subjugation of the person direct; for slavery is one of the earliest phenomena of which we have historical demonstration. But subjugation of the person indirectly by means of land monopoly is also one of the earliest devices for getting without giving. These are the only ways of making slavery, when you get down to the last analysis. As an historical speculation it would seem that land monopoly must have been secondary in point of time; for you can't enslave men by monopolizing land, unless you monopolize all that they can readily gain access to. And we find this speculation borne out by the historical fact that indirect enslavement by means of land monopoly has existed only where land was scarce relatively to its desirability for use. Where land was plentiful relatively to its uses, as in the old pastoral regions, enslavement by direct subjugation of the person was the only kind of servitude. But where land was relatively scarce, we find a condition of landlessness generating conditions of slavery.

Only the other day I was reading some of Herbert Spencer's speculations on this very point. He seems to think that in the human make up there is a natural sense of private property which relates to moveables and to habitations, and that these species of property were habitually recognized in primitive society. It is to this sense that he attributes social development. From a primitive individual's assertion of property in his moveables and structures, comes a consciousness of right to the use of the parts of the earth to

which moveables and structures adhere. Then comes a family claim to localities, which develops into a patriarchal claim and thence into communal claims. By communal claims, you are to understand those under which the land is held as common property by all its occupants except personal slaves. It may be occupied and worked individually—that is, private possession of particular sites may be recognized,—but the common ownership, if I understand Spencer's point, is never lost sight of. If the occupant departs, he has no land to sell. If the population increases, new apportionments are made.

The change from this condition, as I apprehend Spencer, is accounted for by force. This seems to be the only adequate cause—internal or external force. The change, that is, from common ownership to individual ownership of places on the planet, is to be accounted for as slavery is accounted for. Only force accounts for the ownership of men; only force can account for the ownership of the land on which men must live if they live at all. After the initial force of conquest, according to the Spencerian explanation, a period of contract sets in with reference to land, precisely as it does with reference to slavery. Land is held under contract of trust, as in some species or variations of feudalism; or under contract of ownership, as in some species or variations of capitalism. The force in which slavery and land ownership originated is thus perpetuated by internal regulations of public policy—by what our communist-anarchist friend over the way denounces as "government." And of course selfishness—personal selfishness, and class selfishness if you please,—perverts the contract. If it is a trust contract under feudalism, it grows into absolutism and comes to wear a halo of divine right; if it is an ownership contract under capi-

talism, it also grows into absolutism but carries the baton of business might.

Now, Doctor, we may see all this working out, I think, if we recall our studies, such as they were, of European history. The Roman dominions were conquests. Part of the lands the Romans conquered were left to the original inhabitants; the rest were taken as public lands, some of which were cut up into Roman homesteads and sold or rented, the rest being held as a public domain very much as we hold the great undeveloped West—I mean, as we used to. But by internal aggressions the common lands of Rome came to be largely the property of the patricians. This made the land question "the eternal question at Rome." Contractual land ownership led to land monopoly in Rome as it doubtless had done in the other countries of antiquity, and as it always will do anywhere unless the principle of common right is somehow secured.

Don't the land laws of Moses suggest a lesson he had probably learned at the Egyptian court? Isn't it probable that patrician ownership of land had developed in Egypt as it afterwards did in Rome, and that Moses saw its power? It is difficult in any other way to explain the Jewish year of jubilee with reference to land—the fiftieth year of ownership, when all lands were to revert to their original possessors. All contractual ownerships of land rested upon that condition of reversion. Thus the principle of common ownership was recognized, and perpetual monopoly made practically impossible. You don't see how? Well, Milman, the historian, saw how. In his history of the Jews, Milman describes that jubilee-year regulation as "a singular agrarian law, which maintained the general equality, and effectually prevented the accumulation of large masses of property in one family, to the danger of the

national independence and the establishment of a great oligarchy." These Mosaic contracts of land tenure were like ground leases, with a term of fifty years; they were not like deeds of ownership to endure "while grass grows and water runs."

But it was the Roman, not the Jewish system, that prevailed. For while it was a maxim of the Roman law, as it is of our law in most jurisdictions, that all land was held of the sovereign, yet absolute private ownership was in fact the rule with the old Romans as it is with us. And I wish, Doctor, that you would put a pin in right there, against the time when our socialistic friend lectures us again upon the present capitalistic system as something new. The capitalistic system is simply the contract system. So was the Roman. Rome had personal slavery, it is true; but so have we had personal slavery. Rome had landlordism also; but it was landlordism as we have it—the ownership of land as a commodity. The ownership of land in Rome was in practice allodial, as it is with us. If there is any difference it is of form and not of substance. In our time capitalists monopolize capital through monopoly of land, thereby enslaving workingmen; whereas in Rome it was landlords that monopolized capital. In addition the Romans owned workingmen as commodities precisely as we have done down into your day and mine.

But I have no special desire to press my point that the social pathway runs along a period of ownership contracts into the feudal period of trust contracts, and thence to another period of ownership contracts differing from the Roman only in form and not in substance. Although I believe this to be true, I am nevertheless quite willing to disregard it and accept for our purposes our socialistic friend's idea of a personal

enslavement period (represented by Greece and Rome), giving way to a landlord period (represented by the feudalism of the Middle Ages), which has during the past five centuries or so been giving way to a period of capitalism. So let us jog along our pathway of social progress again.

At the period of the decline of Rome the system of allodial or contractual ownership of land was almost universal, although the term "allodial" did not come into vogue until needed as an antonym to "feudal." Said to be a term of the Middle Ages, suggested by the tribal customs of northern Europe, "allodial" denominates the tenure of absolute property in land as distinguished from that of conditional property in land.

In their origin, allodial tenures were perpetual, transferable and inheritable, and were subject to no conditions whatever but the bare necessities of public defense. But in time there came to be a species of allodial tenures known as "fiscal lands," which were reserved to the king, who made gifts from them to court favorites. These gifts—"benefices" they were called—were utilized by the beneficiaries to draw power unto themselves. They carved out sub-gifts for their own favorites—sub-tenancies, as we should call them; sub-infeudations as they were called in those days. By sub-infeudation the under tenants declared allegiance to the beneficiaries, who had declared theirs to the king; and in this manner feudalism as a system is believed to have originated. The king was overlord, but the beneficiaries were lords—barons with subjects of their own, whose allegiance was not to the king but to them. This had the effect of prostrating the authority of the king. For the beneficiaries, supported by their tenantry, were able to command an overwhelming military force, either to support or to defy him. And they added to their power by forcing all

allodial proprietors into their service. Through their rapacity they had created a reign of terror among allodial proprietors—something like that which prevails among independent business men today who find themselves threatened by great trusts and who join the trust rather than be crushed by it. So the terrorized allodialists gladly surrendered their allodial holdings on condition of getting them back as feudal tenures. As the military compact of feudalism between landlord and tenant, or lord and vassal, was their only hope of protection, they delivered over their lands as gracefully as Slim Jim Pulsifer gave over his pocket book to the "hold-up" man—delivered them to the powerful lords, and received them back again charged with the feudal contract. This obligated the tenant to support the lord, and the lord to protect the tenant. It was a contract of trust—don't you see?—in contradistinction to contracts of ownership.

The historical circumstances were such, however, that those feudal obligations developed a paternal relationship which had its attractive as well as its repulsive aspects as compared with the contractual tie—whether of trust or of absolute ownership—which had preceded feudalism and has come again. Custom, personal attachment, gratitude, honor, dread of penalization and infamy, cemented by the sanctions of religion, all contributed to that homogeneity which raised feudalism to the level of a social system.

As a political institution, Mr. Bryce defines feudalism—let me get his "Holy Roman Empire," and quote. Ah, here it is at page 113. He defines feudalism politically as—

> the system which made the owner of a piece of land, whether large or small, the sovereign of those who dwelt thereon; an annexation of personal to territorial authority more familiar to Eastern despotism than to the free races of primitive Europe. On this prin-

ciple were founded, and by it are explained, feudal law and justice, feudal finance, feudal legislation, each tenant holding toward his lord the position which his own tenants held toward himself. And it is just because the relation was so uniform, the principle so comprehensive, the ruling class so firmly bound to its support, that feudalism has been able to lay upon society that grasp which the struggles of more than twenty generations have scarcely shaken off.

But all powerful, Doctor, as was that grasp in the Eleventh century, and slowly as society has been able to shake it off, the evidences of its decline soon after the Eleventh century are quite obvious. By the Fifteenth century new social forces had greatly reduced its power; and in our day there are few feudal remnants except in our law of land tenures, and not so very many there. Feudalism has been almost completely superseded by capitalism.

CHAPTER XVI.

Capitalism.

The extinction of feudalism was principally due, I suppose, to influences incident to the return of kingly power, chief among them being the enfranchisement of towns and cities. Charters from the sovereign authority, conferring more or less freedom upon towns and cities, gave economic potency to manufacturers and merchants, and this was the beginning of capitalism.

Remembering that we should probably speak upon that subject to-day, Doctor, I have brought with me a couple of volumes of Green's "History of the English People," for I want to read you one or two observations on this phase of the transition from feudalism to capitalism. Here at page 150 of the first volume, in the middle of chapter i of book iii, Green writes what I shall read you now:

> Whenever we get a glimpse of the inner history of an English town, we find the same peaceful revolution in progress, services disappearing through disuse or omission while privileges and immunities are being purchased in hard cash.

That was early in the Thirteenth century. In the second volume, writing of the latter half of the Fifteenth century, Green tells of the way in which the merchant and manufacturing classes of the enfranchised towns invested the surplus wealth which their release from feudal obligations, followed by a business boom such as we of this generation may easily understand, had brought them so abundantly. They began buying out landlords.

But this was not for the purpose, as a rule, of joining the landlord class. They did it for the purpose of securing industrial freedom and power for themselves as capitalists. These later and larger acquisitions of land by capitalists from landlords for business purposes, were not unlike the purchases of privileges and immunities under feudalism at the very beginning of its decline—those purchases, you recall, by which tenants commuted their feudal obligations of service to landlords with money payments or money obligations. In a somewhat analogous way, capitalistic business men freed their businesses from feudal burdens by buying out landlords at capitalized rates. When they had done so they included in their inventories of capital the land they bought.

You see they were not governed by sentiment. Perhaps they were not governed even by expectations of profit from the land. They wanted to use the land in their capitalistic business as manufacturers or merchants, and that was all. But "business is business," don't you know? and with reference to these lands there was no more paternalism, no more of the idyllic personal relationships of feudal landlord and tenant, after capitalists came into possession. As land began to be capitalized as an instrument of production, its economic power caught the capitalistic imagination, and its price went up in leaps and bounds,—just as it has done under present-day capitalism in New York and Chicago and every other place of booming business. Please listen to this reference to the merchant classes of 1461-1485, by Green at page 20 of my second volume early in chapter i of his book v:

They began to invest largely in land, and these "farming gentlemen and clerking knights," as Latimer bitterly styled them, were restrained by few traditions or associations in their eviction of the small-

er tenants. The land, indeed, had been greatly underlet, and as its value rose with the peace and firm government of the early Tudors, the temptation to raise the customary rents became irresistible. "That which went heretofore for £20 or £40 a year," we learn in Henry the Eighth's day, "now is let for £50 or £100." But it had been only by this low scale of rent that the small yeomanry class had been enabled to exist. "My father," says Latimer, "was a yeoman, and had no lands of his own; only he had a farm of £3 or £4 by the year at the uttermost, and hereupon he tilled so much as kept half a dozen men. He had walk for 100 sheep, and my mother milked thirty kine; he was able and did find the king a harness with himself and his horse while he came to the place that he should receive the king's wages. I can remember that I buckled his harness when he went to Blackheath field. He kept me to school; he married my sisters with £5 apiece, so that he brought them up in godliness and fear of God. He kept hospitality for his poor neighbors, and some alms he gave to the poor, and all this he did of the same farm where he that now hath it payeth £16 by year, or more, and is not able to do anything for his Prince, for himself, nor for his children, or give a cup of drink to the poor." Increase of rent ended with such tenants in the relinquishment of their holdings, but the bitterness of the ejections which the new system of cultivation necessitated was increased by the iniquitous means that were often employed to bring them about. The farmers, if we believe More, in 1515, were "got rid of either by fraud or force, or tired out with repeated wrongs into parting with their property." "In this way it comes to pass that these poor wretches, men, women, husbands; orphans, widows, parents with little children, households greater in number than in wealth (for arable farming requires many hands, while one shepherd and herdsman will suffice for a pasture farm), all these emigrate from their native fields without knowing where to go." The sale of their scanty household stuff drove them to wander homeless abroad, to be thrown into prison as vagabonds, to beg and to steal. Yet in the face of such a spectacle as this, we still find the old complaint of scarcity of labor and the old legal remedy for it in a fixed scale of wages. The social disorder, in fact, baffled the sagacity of English statesmen, and they could find no

better remedy for it than laws against the further extension of sheep farms, and a formidable increase of public executions. Both were alike fruitless. Inclosure and evictions went on as before and swelled the numbers and the turbulence of the floating labor class. The riots against "inclosures" of which we first hear in the time of Henry the Sixth, and which became a constant feature of the Tudor period, are indications not only of a perpetual strife going on in every quarter between the landowners and the smaller peasant class, but of a mass of social discontent which was to seek constant outlets in violence and revolution. And into this mass of disorder the break-up of the military households and the return of wounded and disabled soldiers from the wars introduced a dangerous leaven of outrage and crime. England for the first time saw a distinct criminal class in the organized gangs of robbers which began to infest the roads and were always ready to gather round the standard of revolt. The gallows did their work in vain. "If you do not remedy the evils which produce thieves," More urged with bitter truth, "the rigorous execution of justice in punishing thieves will be vain." . . . Throughout the time of the Tudors the discontent of the labor class bound the wealthier classes to the crown. It was in truth this social danger which lay at the root of the Tudor despotism. For the proprietary classes the repression of the poor was a question of life and death. Employer and proprietor were ready to surrender freedom into the hands of the one power which could preserve them from social anarchy. It was to the selfish panic of the land owners that England owed the Statute of Laborers and its terrible heritage of pauperism. It was to the selfish panic of both land owner and merchant that she owed the despotism of the monarchy. The most fatal effect of this panic, of this passion for "order," was seen in the striving of these classes after special privileges which the crown alone could bestow.

Doesn't that read like a description of present day conditions, Doctor,—all except the antique flavor and a few variations of incident? Yet it was written a generation ago, of a period almost 500 years before, and by an historical scholar of the highest rank, who had no other thought

than to tell in a true way a true story of the people of that distant past.

Just observe how they made paupers and criminals in those days. We do it now, only our raw material for it is the mechanic and the day laborer more notably than the farmer and the peasant. They enclosed the common lands then for the benefit of parasitical classes; and what have we been doing but that for a hundred years with our public domain? Aren't we doing it yet? They were trying then, as we are now, to stop crime by rigorously punishing criminals instead of reforming the social maladjustments that produced them. And they were legislating against the extension of sheep farms with the same superficial statesmanship in those days that we legislate on railroad rates and business trusts in our day. Business plutocrat and aristocratic landlord, then two distinct classes, were ready to surrender their freedom to a strong monarchy in order to keep down the poor whose poverty their own privileges were making; business plutocrat now, with land monopoly for his basic capital and his all-conquering industrial weapon—two classes rolled into one—is clamoring for despotic laws in order to put down what he is pleased to call "anarchy," as they of 500 years ago, by the way, were pleased to call it "lollardism." As the privileged classes of that day were in a selfish panic of fear of their impoverished victims, so are the privileged classes of our day; and as those strove eagerly for more special privileges, so do these. Above this din of clashing classes, moreover, there came hysterical screams from the privileged for "order", as from the like classes just such frantic demonstrations come now. In those faraway times, Doctor, as in our own times, there seems to have been a very passion for "law and order" among the classes to whom the law never has any sanctity ex-

cept as it serves them, nor order any law but their own unbridled will.

Our socialistic friend often assures us that the industrial phenomena of capitalism are very modern, don't you remember? He seems to think that the invention of steam power brought on a social revolution. But if history reveals any essential difference, between the industrial changes which steam has wrought in the past 100 years, and those which began 400 years before, I have failed to find it in the course of my untutored reading. Surely that quotation from Green, which is quite typical by the way, very clearly indicates that there are no differences between the industrial phenomena of the present, and those of the feudal period, except differences in outward form. Industrial evils so familiar to us of this day did not await the advent of steam and great machinery. And they were not unique in England. That country was in the same economic pathway in which all were traveling. Industrial evils of the capitalistic type appear to have begun everywhere with the capitalization of land; that is, if you will let me coin an awkward word, with its "businessification."

The landlord class, demoralized by the Crusades, were compelled to break up their feudal domains into parcels and sell them, and business men bought. And not only did the Crusades in that way release feudalized land to capitalization, but they contributed to that prosperity of the business or trading interests which enabled the business classes to buy land. For Crusaders brought from the East the knowledge of many products and processes tending to promote manufactures; and it was during these expeditions that modern commerce took a leap forward. As the Italian maritime states supplied the crusaders with transports and conveyed to them stores and

munitions of war, there was a rapid increase in the navigation of the Mediterranean, which had originated in the trade that sprang up from the free towns I have alluded to. There does not appear to have been any considerable manufacturing, you know, from about the Fifth to the Eleventh century. Everything had to be made "on the place," as we used to say out at our old farm. Even kings had their clothing made on their farms in the Ninth century. If there had been any tendency toward general manufacturing, it would have been nipped in the bud—yes, you may take another metaphor if you want to—by obstructions to general trade. The raids of feudal marauders of the lawless type made merchandising very hazardous, and the highway and market tariffs of feudal marauders of the "law and order" type, made it burdensome. In this state of society the self-governing Roman towns that survived the shock of the Teutonic invasion were capitalistic oases in a feudal desert.

Feudalism itself gradually created similar self-governing communities, especially in Germany and Italy, through kings' charters to towns and boroughs; and the old ones won back something of their former freedom. One of the first signs of advancing civilization, as it was one of the great agencies of progress, was the growth of these towns. Their importance historically is said to date from the union of about 80 of the most important German towns, along somewhere in the Thirteenth century. This union was called the Hanseatic League, you know, and was organized for mutual defense against piracy by sea, pillage by land, and the exactions of feudal lords. A similar league, the Lombard, from which Genoa and Venice date their natality as city republics, had been organized in Italy some two hundred years earlier. Now what I ask you especially to

reflect upon, Doctor, with reference to this advent of capitalism, is the fact that although steam had not been discovered and there was no great machinery, yet the industrial evils were essentially the same as now. We are living under a capitalistic system which does indeed differ in many outward forms from that of half a thousand years ago, which is indeed much farther advanced, and which does therefore express itself with greater intensity and subtlety. But it is the same system and not a new one. It is an evolution and not a revolution. It manifests a difference in degree and not a difference in kind.

The truth is, Doctor, that capitalism is the natural mode of trade, and its phenomena had to appear with the development of trade. Our friend agrees, I think, that these historical manifestations were inevitable. He and I probably have no quarrel there. Where we come in conflict is over his insistence upon regarding capitalism itself as an evil and a back number now. He disregards the fact, which I insist upon, that capitalism is not a bad system essentially, but that it is a sick system—a system sick from the poisonous decoctions of landlordism and other special privileges with which it was "doped" by the business men of the feudal period. Capitalism may die from this sickness. It will die from it unless it is purged of the poison of land monopoly.

I fully agree, you understand, that capitalism has superseded feudalism, and that the capitalist class has superseded the landlord class. What I wish to emphasize is precisely that fact, the fact that the one has superseded the other—only superseded. I insist that this change has not essentially altered the balance of power in industry. The spirit of landlordism, its essence and its coercive power, survive supreme. The only difference is that the capitalist has acquired the power of the

landlord. This power has passed from autocratic administration by a personal class, to automatic administration by the interplay of financial interests. No longer personal, it is capitalized; no longer feudalistic, it is businessistic. The capitalization of the planet is in our day what its feudalization was in the palmy days of landlordism.

The tendency toward the transfer of planet monopoly from landlord classes to capitalistic interests, and the consequent rise of capitalism out of the ashes of feudalism, was greatly accelerated by the discovery of "new worlds" to the westward. Although landlordism crossed the Atlantic, feudalism was already declining, and the conditions over here were unfavorable to its revival. A landlord class did develop; but the primitive environments were too uncongenial for it to flourish. For landed interests distinctively, there was little room in all this broad expanse of unappropriated country. It was quite impossible to monopolize land to the degree necessary to coerce labor. Land monopoly was consequently unprofitable; labor alone could flourish. But as labor flourished, it developed business interests, germs of capitalism such as the progress of freedom in feudalistic countries had already developed there. These interests absorbed landed interests, not by buying out feudal landlords, as in the old world, but by taking up land for use and then dealing with it upon the business or capitalistic basis. It was regarded from the start as an instrument of production indistinguishable from all others, and interchangeable with all others by the same measurements of value. And as in the Americas so in the Australias. Whereas in the old world, capitalism came in as a transition from feudalism, in all the new worlds it was a phenomenon of first intention. But the eco-

nomic effect, everywhere the same, was to lodge in capitalism the essential power of landlordism—monopoly of the natural instruments of production.

So the evil principle of landlordism was not destroyed by capitalism, nor any new principle of evil created. It simply acquired a new economic habit, and greater potency through greater subtlety of operation. From the social service environment of a barbaric paternalism, it passed into a social service environment of business conquest. For the limited potency of arbitrary regulation according to personal circumstance and whim, it acquired the impersonal and rigid potency of competitive regulation. The family association, personal affection, gratitude, loyalty, and noblesse oblige, which governed the relation of landlord and tenant under feudalism, gave way under capitalism to the impersonal commercial rule of "business is business," and business exacts "all the traffic will bear." Ownership of the great natural instrument of production, the planet itself, had been coaxed away from the landlord class, and had come within the capitalistic sphere of influence and under the capitalistic mode of administration. Land as well as capital was capitalized—the planet as well as products from the planet. Becoming less and less a subject of family heritage, it had come to be more and more a commercial commodity.

At last, when the feudal period closed, land had lost its distinctive character in the capitalistic mind. Although a natural instrument of production, the same as before, and as different essentially as ever from artificial instruments of production, it came now to be dealt in and thought of as a commodity, identical with artificial instruments. Not only is land still useful, and useful in greater degree, far greater degree

than ever, but it has become saleable as a commodity. That was not always so, you see. Land was not a commodity in feudal times. It was not an article of commerce. It was not capitalized. And this is what makes our socialistic friend think, I take it, that the evolution from feudalism to capitalism was a fundamental or revolutionary change. It was in fact not fundamental. It was only a change in form, a change of owners, a change from ownership of land by lords to ownership of land by traders.

When capitalism reached out for land as a commodity in trade, along with products, away back in those feudal centuries, it produced then the same industrial evils, although steam and big machinery were unknown, that it produces now, in this era of great machinery with land treated as one of the capitalized instruments of production. The explanation of these evils is surely not monopoly of machinery in itself, but monoply of the natural instruments of production—the same in kind even if different in form as the feudal monopoly. The monopoly of land is the underlying monopoly which makes most others possible, and without which all others would either wither or be easily pulled up by the roots.

Think it over, Doctor. Under landlordism the landlord is a person apart, who exacts as rental the fruits of the land—one out of three of the nettles the widow gathers for her frugal meal, as Carlyle puts it. He may take more; he may take less. He may even forbid the use of his land if it pleases him. His whim governs, be it good or bad. But under capitalism, this power of rent exaction is capitalized. The land itself becomes an object of capitalistic commerce. The rent is all the traffic will bear, and hope of greater profit may result in forbidding even its use. Whim and caprice give way to business principles; but the

difference is not essential. The planet is still one thing and capital another. The planet is still the natural instrument of production from which all artificial instruments are drawn. The planet is the instrument which is not only indispensable to social life, as are artificial instruments, but it is also not reproducible, whereas artificial instruments are reproducible. Given diversified labor and the planet, with unobstructed access by the one to the other, and, with unobstructed trade, artificial instruments result in abundance under capitalism. Their monopolization in those circumstances is impossible. But obstruct trade, or obstruct access to the planet for use, and you produce monopoly of capitalized artificial instruments and monopoly of capitalistic markets. Whether you obstruct access to the planet by feudalistic command over it, or by capitalistic commerce in it, makes no difference.

"Wage slaves!" To be sure there are wage slaves under capitalism. Wage slavery and chattel slavery are the typical forms of slavery under capitalism, as serf slavery is under feudalism. The chattel slave is appropriated as property and capitalized as a commodity. This has been rejected for the more profitable form of capitalistic slavery —wage slavery. The product of the wage slave, not the man himself, is appropriated. The slave himself is nominally free. His products are appropriated by means of nominally voluntary contracts of service. But in fact these contracts are not voluntary. They do not rest on a square deal. They are made under circumstances which force the wage worker to take less service than he gives. They are destructive of the principle of service for service. Not because they are wage contracts, but because the wage-worker makes them at a disadvantage. The man is not free in making his contract. He must accept

proffered terms or starve. For all the instruments of production are monopolized by capitalists, and it is with capitalists that he makes his disadvantageous contract. If he organizes, so do they; and his organization is less powerful than theirs, for they control the instruments of production—all the instruments of production.

But when you analyze the matter, Doctor, you find that capitalists control all the instruments of production only because they control the *natural* ones, those which are indispensable and unreproducible, this whirling planet on which we swing through space. Since land is capitalized, capitalism takes its rents and labor must lose them. Worse than that, since land is capitalized, capitalism makes a "closed shop" of unused spaces. Those that are far away are closed to labor anyhow by their physical inaccessibility. Those that are near by are closed by their financial inaccessibility, by excessive values caused by capitalistic speculation in land.

Under feudalism, the natural instruments alone were monopolized. This sufficed to subjugate all producers. They could not use any land without the lord's consent. But under capitalism these natural instruments, being capitalized along with the artificial instruments, are subject to natural laws of trade. These laws of trade operate beneficially in so far as they govern the ownership of artificial capital, but prejudicially as applied to capitalistic land owning. The lord under feudalism could deny the use of the planet arbitrarily by mere command; capitalism denies it through the land market and by operation of competitive forces. Under feudalism the conflict of interests was coincident with such class divisions as landlord, tenant, serf; under capitalism, inclusive of land capitalism of course, the normal identity of business interests with labor interests is disturbed

by the abnormal identity of business interests with landed interests.

What good sense demands of us, Doctor, is that we somehow disentangle this confusion. We must bring into co-operative relations the business interests that are identical with labor interests, and get rid altogether of the business interests that are inimical to labor interests. And in order to do this, what we need to understand is that land capitalism is only the modern form of feudal landlordism.

We must indeed recognize with our socialistic friend the fact that feudalism has passed away, and that we are living now under a regime of capitalism; but we must be cautious not to lose sight of the other fact, that capitalism includes in two categories what feudalism had three categories for. Feudalism had natural instruments, artificial instruments, and workers in three distinct categories; and the landlord governed all. Why? Because he owned the first. Capitalism now has artificial and natural capital in one category and workers in the other. So the capitalist governs all. Why? Merely because he owns the first. Through capitalization of land, capitalists have acquired the power of feudal landlords—that power of coercing labor which resides nowhere outside of personal enslavement but in dominion over the natural, as distinguished from the artificial, instruments of production.

CHAPTER XVII.

Karl Marx and Henry George.

At our last two or three talks, Doctor, we spoke of the habit of confusing natural instruments of production with artificial instruments, as if they were essentially alike because they are capitalistically interchangeable. And in that connection we spoke also of the historical transition from feudalism to capitalism. We were pretty well agreed, I guess, that most business men, as well as our socialistic friend down the street, not to mention our anarchist-communist neighbor over the way, fail to appreciate the fundamental and unchangeable difference between those two instruments of social service—the natural and the artificial. They have grown up with a mental habit of regarding both, when immersed in their interchangeable capitalized values, as possessing no differentiating characteristics. In business thought, capital is simply value, expressible with figures and money symbols on the pages of a ledger. Whether the value be of an artificial product of human labor, drawn with pain and sweat from the natural opportunities of the planet—"back-ache value," as John Z. White calls it, you remember; or of those natural opportunities themselves; or of the human laborer himself, makes no difference to men of the business type. Each being tradeable for the other on a common basis of value, each is capital to the capitalist if he needs it in his business.

Following this capitalistic line of thought, our socialistic friend also loses sight of the under-

lying distinction between artificial and natural instruments of production, and all appreciation of the difference in the natural laws that govern their respective social uses. Or, if he doesn't lose sight of the distinction, he sees it vaguely as the man whose sight was restored saw men at first as trees walking. Yet these essential differences persist, and they produce characteristic effects. And this they do, as I have indicated and shall try to show you further, whether the land is used under feudalism, with its distinct personal landlord class, or under capitalism, where class personality gives way to an impersonal landed interest masked behind the capitalistic mode of indiscriminate capitalization. Let me repeat, and repeat, and repeat, if necessary, that you cannot turn the planet, the natural instrument of production, into the same thing as capital, the artificial instrument, by capitalizing the two together. You can no more do it than you can change horses into cows by capitalizing live stock. Though they become interchangeable in trade, they are no more identical in fact than they were before.

But it is this undiscriminating capitalization, as I think, Doctor, that causes our socialistic friend to assure us, with entire good faith as both of us know, that monopoly of land, the natural instrument of production, has come to be of secondary economic importance to monopoly of capital, the aggregate of existing artificial instruments. Even if he had said that their economic importance is equal, we should have wondered. For how can temporary artificial instruments be of equal importance to the perennial natural source of all artificial products, artificial instruments included? But when he gives primary importance to these temporary artificial products, and only sec-

ondary importance to their perennial natural source, what is one to say?

Wasn't it as hard for you as for me to understand what he meant the other day when he asserted that if he had all the existing capital, and the workers had all the land, he could drive the workers off the face of the earth by refusing them the use of his capital? It truly did seem absurd to me, and I mean no disrespect whatever to him, for you know I hold him in high esteem,—but it did seem absurd that a monopolist who owned only capital could drive laborers off the planet, if the laborers owned the planet, merely by refusing to let them use the capital which they as a class had produced and as a class could easily reproduce.

But you see, Doctor, he didn't mean the planet when he talked of workers owning all the land. He meant only the parts of it that landlords own *as* landlords—as a distinct personal class. Don't you recall his figures in which he estimated land monopoly at so many millions, and capital monopoly at many millions more? Why, he left all sorts of landed property outside of his millions' worth of land, and included all sorts of landed property in his millions' worth of capital. He seems to have lost sight altogether of the land that capitalists treat as part of their capital; the land, for instance, that is represented in the stocks of land-owning corporations—such as mining and railway companies. It is no longer land to him, any more than it is to them. In our friend's thought, as in that of the capitalist's, all this most important land, this vital natural instrument of production—all of it inventories as capital. Though a natural instrument of production, it is tumbled indiscriminately into the same inventory with his artificial instruments. He may distinguish when you come down to definitions, but haven't you noticed how he drifts away when the

argument is resumed? It is the confusion which the capitalistic line of thought promotes, that gets him out of the main current of economic thought and into the eddies.

It would not be fair to our friend, however, to attribute his misapprehension altogether to his own heedlessness. Karl Marx as well as our friend sometimes seemed to lose his way in this wilderness of capitalistic thought, although I think that he really recognized as vital the distinction I have made. Let me read you from Marx's "Capital." My copy is the first English edition, published in 1889, a translation by Moore and Aveling from the third German edition, and edited by Frederick Engels. At the beginning of the first chapter, Marx writes:

> The wealth of those societies in which the capitalist mode of production prevails, presents itself as an immense accumulation of commodities, its unit being a single commodity. Our investigation must therefore begin with the analysis of a commodity.

Now observe, Doctor, the subject of consideration here is wealth as found in capitalistic society. We are told that it consists of "commodities." So far, then, I find myself, as I have already explained to you, in substantial agreement with the great expositor of socialism. Capitalization makes a commodity of everything it touches. And now comes the Marxian analysis of a commodity. Listen:

> A commodity is, in the first place, an object outside us.

Very good, provided "us" be understood as including only the acknowledged members of capitalistic society. For capitalistic industry might comprise chattel slavery, and then the slaves would be commodities, capitalistic wealth. A commodity would still be outside the members of the society, for slaves would not be accounted members; but

some commodities would not be outside of some persons, since every slave would be a person and yet a commodity. But of course Marx contemplated in his definition of a capitalistic commodity only such objects as are outside the acknowledged membership of capitalistic society; so this part of his analysis may go without criticism. A commodity, then, is an object outside of us. It is also, he continues—

a thing that by its properties satisfies human wants of some sort or another. The nature of such wants, whether, for instance, they spring from the stomach, or from fancy, makes no difference. Neither are we here concerned to know how the object satisfies these wants, whether directly as means of subsistence, or indirectly as means of production.

Well, Doctor, in view of our talks I reckon we'll both agree to that, won't we?

At this point Marx states his definition of use-values. We have had the same idea in considering the subject of desirability. He adds with reference to use values that they "constitute the substance or body or quality of all wealth, as distinguished from its quantity in terms of 'exchange value';" and then he proceeds to say that in the capitalistic form of society "use values"—

are, in addition, the material depositories of exchange value. Exchange value, at first sight, presents itself as a quantitative relation, as the proportion in which values in use of one sort are exchanged for those of another sort, a relation constantly changing with time and place.

After elaborating this capitalistic idea with some necessary detail, he concludes that—

the exchange values of commodities must be capable of being expressed in terms of something common to them all, of which thing they represent a greater or less quantity.

This common "something" he then ascertains by considering that—

as use-values commodities are, above all, of differ-

ent qualities; but as exchange values they are merely different quantities, and consequently do not contain an atom of use-value. If, then, we leave out of consideration the use-value of commodities, they have only one common property left, that of being products of labor.

Now, Doctor, if we stopped there Marx might appear to a careless reader as having made a false analysis. For he begins by defining commodities so as to include land—"an object outside us," don't you recall? which "by its properties satisfies human wants," whether "directly, as means of subsistence, or indirectly, as means of production," —and he ends by distinguishing commodities as products of labor. But land is not a product of labor. If, however, you read the quotation a second time you will find that his intention is to show that it is value—not "use-value" but "exchange value"—which is the labor product. This interpretation is confirmed by his metaphysical reasoning that follows, It is, I should say, as if he had made his statement like this: "Considered as material substantial objects, commodities are, above all, of different qualities; but considered as values in exchange they are merely different quantities, and consequently do not contain an atom of material substance. If, then, we leave out of consideration the material substance of commodities, they have only one common property left, that of being products of labor."

To this idea we have already agreed in a way; and though only in a way, yet probably in the way that Marx meant. Since we accept the values of commodities as expressive of the irksomeness of labor which their possession will save, we may agree that in a metaphysical sense labor produces all value. There could be no value without commodities, and labor does produce all commodities except land. And while labor does not produce land, there is a sense in which it may be

loosely said to produce land values. For it is by the extension of labor forces to the use of inferior lands that superior lands become valuable.

That labor does not produce natural commodities, but that these are the source of production and not its results, Marx recognizes so clearly in his next chapter as to leave no room for cavil. I refer to what he says specifically of "use-values." By "use-values" he evidently means what I mean by artificial things, or "wealth"—the products of labor from land. Listen again:

> The use-values, coat, linen, etc., i. e., the bodies of commodities, are combinations of two elements—matter and labor. If we take away the useful labor expended upon them, a material substratum is always left, which is furnished by nature without the help of man. The latter can work only as Nature does, that is by changing the form of matter. Nay, more, in this work of changing the form he is constantly helped by natural forces. We see, then, that labor is not the only source of material wealth, of use-value produced by labor. As William Petty puts it, labor is its father and the earth its mother.

If Marx had held tight to that understanding—something which he realized as true of all modes of production, whether capitalistic or not,—he would not have made so inadequate a use as he did of a certain significant Australian incident of which I shall read you in a moment.

But after this brief reference to "the bodies of commodities," which he describes as "combinations of two elements, matter and labor,"—accurately, if he means artificial commodities only, but quite inaccurately if he intends, as I am sure he does not, to include all objects outside us which directly or indirectly satisfy human wants,—he turns the whole force of his great intellect upon the ghost of commodities, upon the immaterial, unsubstantial, metaphysical, capitalistic concept of value as an abstraction from the objects valued.

And now, Doctor, let me read you the Austral-

ian incident to illustrate one of the effects of his having thus slipped his anchorage and gone sailing off into the cloudland of capitalistic metaphysics. In his thirty-third chapter, in the course of a discussion of modern colonization, Marx tells—here it is, on page 791,—of a Mr. Peel, who—

> took with him from England to Swan River, West Australia, means of subsistence and of production to the amount of £50,000. Mr. Peel had the foresight to bring with him, besides, 3,000 persons of the working class, men, women and children. Once arrived at his destination, "Mr. Peel was left without a servant to make his bed or fetch him water from a river."

Now, what would you suppose that situation to imply, Doctor? Certainly; so should I. With plenty of good land all around, available for the taking, those "3,000 persons of the working class" could not be coerced by Mr. Peel, although he had £50,000 of capital and they had none. But what do you suppose is Marx's comment? Here it is:

> Unhappy Mr. Peel, who provided for everything except the export of English modes of production to Swan River.

Now, Doctor, I don't intend to try Marx's philosophy by the test of one of his brief illustrative allusions. But doesn't it look as if he had got so far away from what he calls the "bodies of commodities" as to lose sight of the plain common sense fact that whether on Swan River or on the Thames, coercive power over labor really depends upon monopoly, not of the artificial, but of the natural instruments of production—of the *natural* ones?

Indeed, we might not unfairly assume that Marx himself so believed. When he writes of the unhappy Mr. Peel who provided for everything except the export of English modes of production

to Swan River, Marx may very well be interpreted, without doing any violence to his general exposition, as having meant that Mr. Peel had neglected to export land capitalism from England. Land capitalism is the capitalistic method of cutting off producers from access to the natural instruments of production—the *natural* instruments, mind you; and as land capitalism did not prevail on Swan River those servants of the Peel expedition were free. Mr. Peel could not coerce them with his £50,000 of capital. With all that land available to them, what cared they for the accumulated artificial instruments which Peel's money represented to the amount of a quarter of a million dollars? While that supply of artificial instruments would have been a convenience, it was not a necessity.

That Karl Marx did believe that coercive power over labor depends upon monopoly of land, not only under feudalism but also under capitalism, appears from a specific statement of his made as late as 1875, and published by his friend Engels in 1891. I find it in the International Socialist Review for May, 1908. It appears as part of a criticism of a socialist program made under the influence of followers of Lassalle. One sentence of that program had described labor as "the source of all wealth," and with reference to this declaration Marx wrote, as I find it quoted here at page 643 of the Review:

> **Labor is not the source of all wealth. Nature is just as much the source of use values (and of such, to be sure, is material wealth composed) as is labor, which itself is but the expression of a natural force, of human labor power.**

Turn now to page 645 of the Review and you will find that Marx speaks in that way, not only of a period when feudalistic customs prevailed, but of the present age of production on a large

scale and with enormous artificial tools—of this very age of capitalism. For there he says, writing as late as 1875, remember—

In the society of today, the means of labor are monopolized by the landed proprietors. Monopoly of landed property is even the basis of monopoly of capital and by the capitalists.

Returning now to his book, "Capital," I find that the language of Marx last quoted merely confirms his earlier conclusion concerning the power of land monopoly to coerce labor under the present capitalistic system. In the last chapter of "Capital," on page 793 of my edition, Marx explicitly says:

We have seen that the expropriation of the mass of the people from the soil forms the basis of the capitalist mode of production.

However far apart Karl Marx and Henry George may be at other points, Doctor, they are close together at this vital point. Making allowance for their differing habits of thought and forms of expression, and getting down to their essential meanings, I should say that upon this point—the most vital one, it seems to me, in the whole industrial problem—they are absolutely at one. Take up that first volume of "Progress and Poverty," over there, and read George's remarks upon the confusion under capitalism of natural with artificial instruments, of planet values with product-values, of land with capital. You will find it in the chapter on spurious capital at page 189:

In the speech and literature of the day everyone is styled a capitalist who possesses what, independent of his labor, will yield him a return, while whatever is thus received is spoken of as the earnings or takings of capital, and we everywhere hear of the conflict of labor and capital. Whether there is in reality any conflict between labor and capital, I do not yet ask the reader to make up his mind; but it will be well here to clear away some misapprehensions which confuse the judgment. Atten-

tion has already been called to the fact that land values, which constitute such an enormous part of what is commonly called capital, are not capital at all.

I could give you numerous other quotations, showing that George insisted upon distinguishing the natural instruments of social service from the artificial ones under all circumstances, and that he recognized the evil powers of capitalism as springing fundamentally from land monopoly disguised as capital. But it is unnecessary, for that was the key to his solution of the social service problem, and you may read it at leisure in his books.

CHAPTER XVIII.

From Primitive to Capitalistic Production.

Recalling our conversations about the fundamental confusion of capitalistic thought, Doctor, doesn't it seem to you by this time that we ought to emphasize the manifest distinction which capitalists and socialists alike are so prone to ignore? Don't you agree that if we wish to think clearly upon the subject of social service, we must distinguish the two sources of capitalistic power? Isn't it absolutely necessary to clarity of thought, that the power which springs out of capitalization of the artificial instruments of production produced by labor from and on the planet, be distinguished from the power which springs out of capitalization of the planet itself? Isn't it simple horse sense to distinguish the secondary from the primary class of productive instruments, the artificial from the natural, machinery from the land out of which machinery is continually produced and upon which it must be used if used at all? And is it any less important to make this distinction when these two different kinds of things are capitalized and interchangeable, than when they are not? Aye, aye! I thought you would say so. It is always important to make the distinction.

Well, we have already considered the matter of these two sources of capitalistic power, and have concluded that labor activities cannot be cut off from industrial access to *artificial* instruments directly, without express laws of exclusion. But if you have reflected on our last talk I think

you will also agree that labor interests can be cut off from them indirectly by being cut off from the great *natural* instrument. In other words, I think you will realize that machinery, no matter how gigantic, cannot be withheld from use by labor interests without direct and arbitrary prohibition, unless obstacles are placed in the way of the access of labor to land; but that monopoly of land will produce monopoly of machinery. Let us see if I cannot make this quite clear.

Before going any further, however, I must remind you that it really makes no essential difference to labor interests whether the natural instruments of production are monopolized by a personal class, such as landlords were under the system of feudal tenures of land, or by means of impersonal commercial interests, such as those of our present capitalistic system under which the natural and the artificial instruments of production are indiscriminately capitalized. In either case labor is exploited and plundered. Accidental or arbitrary differences there may be; but on the whole the *com*mands of the landlord under feudalism were essentially the same as are the *de*mands of the investor under capitalism.

Bear that in mind, Doctor, and then think for a moment of production in its most primitive forms. Don't be confused by the fact that the simple primitive forms have given way to complex capitalistic forms; but think upon them as a prelude to considering the capitalistic forms. Now, what are the most primitive forms of production?

A common example is a naked savage at the shore of the sea, digging clams with his fingers.

Analyze that example, and what do you find? I should say four things, wouldn't you? First, the naked savage digging clams: a man working for his living. Second, the seashore, in the sands

of which the clams are naturally deposited: a part of the planet. Third, the clams in their natural state in the sand: also part of the planet. Fourth, the clams picked out of the sand and pulled from their shells by the crude art of the savage: artificial products of that man's work from that natural storehouse of the planet.

Those four things really resolve themselves into three, for the clams lying naturally in the sand of the shore, and the shore itself, are identical in economic character. They are natural instruments or sources of satisfying human wants—in this case, of satisfying hunger.

So we have in that example one of the most primitive examples of production; a man applying his work to the planet to procure food. Using Karl Marx's terms, we could translate that analysis into something like this: "Labor" applied to "matter" to produce "use-values." But as I prefer the terms of the classical political economy, I should express the same idea by interpreting that example of primitive production as an instance in simplest form of the application of "labor" to "land" to produce "wealth." With either set of terms, the meaning is the same.

Pausing here for a moment, let us try to see how that process could be obstructed.

Given the hungry man and the natural clam deposit, would obstruction be possible except in one of two ways? Could anything obstruct that process except coercion of the man by direct application of force to his person, or through his acknowledgment of another's dominion over the clam bed? I think not. You could apply force directly to his person by enslaving the man's body, compelling him to dig clams for you, supporting him out of his own product, and then living yourself upon its surplus; or, recognizing his personal freedom, you could assume governmental

sovereignty over him as citizen or subject, and take a portion of his clams as a tax without his consent. Either way would be a direct application of force. But if you would avoid the use of force, you might in some way induce him to acknowledge your ownership of the sea shore where the clams were in their natural state, and then forbid his digging clams there except upon such terms of rent or purchase as would give you a share in the clams he dug. No matter which method you adopted, however, you would be getting service from him without giving service to him.

Now, what I want you to observe, Doctor, is that those obvious principles are not confined to primitive forms of production. They extend all the way up from the simplicity of that sea-shore example, through the epochs of paternal slavery, serfdom, and feudalism, into the complexities of the present era of capitalism.

In all production, no matter what the form, there are those three things, and only those three —the human worker, the natural instruments or sources, and the artificial products. And in all distribution or division there are but two ways of diverting any share of those products from the workers who produce them—by direct action upon the person of the worker, or by indirect action through monopoly of his natural instruments or sources.

Throughout production and distribution, then, those three elements—the human worker, the natural instruments or sources, and the product—must be separately recognized. Essentially different, they must be constantly distinguished. In other words, "labor," "land," and "wealth" differ in kind and must be scrupulously distinguished in reasoning about them. Yes; we might translate these terms into Marx's, and say, meaning the same thing, that "labor," "matter," and "use-

values" differ in kind and must be scrupulously distinguished.

Let us now advance a stage from that primitive clam digging, holding however to familiar illustrations. Borrowing one of these, let's suppose that the naked clam digger finds he can save his fingers and yet dig clams faster and eat them more comfortably if he digs them with a stick and breaks them open with stones.

Then he must get a suitable stick. And what does this mean? Does it mean that he must depend upon some stick-owner for permission to dig clams with a stick instead of digging them with his fingers? Not at all. He goes to another part of his natural instrument or source of production —goes back, that is, a little way from the shore,— and applies his work to that part of the planet to get himself a stick. When he gets it, it is an artificial instrument for clam production, isn't it? And in getting it hasn't he applied his "labor" to "land" to produce "capital" with which to get food? And hasn't he done the same to get the stones? And isn't he then a capitalist in the sense of being an owner of capital? And thereafter, in digging and opening clams, doesn't he use artificial instruments as well as natural instruments in securing artificial products—"capital" as well as "land" in securing "wealth"? And wouldn't it be the same in principle if one or two of the tribe gathered the sticks and stones and swapped this capital with the rest of the tribe for some of the clams they dig?

And what is the essential nature of that capital? Isn't it unfinished wealth? Aren't those sticks and those stones unfinished sea food, since they are procured as part of the process of making sea food —as part of the process of getting and making edible the clams found at the shore?

Can you possibly think, then, that anybody

could coerce that savage by merely taking away from him that stick and those stones? Not in a million years, provided he retained access to the natural sources of such sticks and such stones. So long as he and his fellow workers—the stick and stone gatherers, the "capital"-makers—so long as they had access to the natural instruments of his clam production (the sea shore with its natural clam deposits, and the upland with its natural deposits of stones and its natural growth of sticks), so long as he was free in that respect, the loss of those tools of his would not conquer him. It might put him to temporary inconvenience, of course; but it couldn't make him economically defenseless.

Yes, I rather think you are right about that famous water tank parable of Bellamy's, which our socialist friend is fond of quoting. I reckon it does fit in here. Let me see if I have Bellamy's book handy. Ah, here it is—"Equality."

The parable occurs in chapter twenty-three. But it takes up the whole chapter and we won't stop to read it. You remember the point about it. According to the parable, there was an arid country in which men worked at nothing but getting water. Some of the crafty ones, capitalists, had gathered stores af water, from which they gave drink to the thirsty on condition that these become their servants, they and their children. So the capitalists organized the servants into working bands. Some dipped at the springs; others carried to the tank, where all the people came to drink; others sought out new springs. And the capitalists gave a penny for each bucket of water poured into the tank, and charged two for every bucket taken out. In time, however, so fruitful was the work of the servants, the tank overflowed; and then the capitalists said to the people, "Sit ye down and be patient, for ye

shall bring us no more water till the tank be empty." This made hard times, business depression, for when the servants got no more pennies they could buy no more water. And the people suffered and murmured, and the capitalists lost money and swore—or words to that effect. After a while the suffering of the people was such that they threatened to take the tank by force. But after another while the water in the tank had fallen low, and then the people were employed to fill it again. When these experiences had been many times repeated, and there had been much bad language and some incidental mob violence, the whole trouble was settled by dismissing the capitalists as bosses of the water-workers and making a collective organization in which the workers governed themselves and each took pay according to his work, with no rake-off "profit" for anybody.

Now, Doctor, I regard that as really a splendid social parable, all the way through—except as to its method of reform.

Right there Bellamy "falls down." No, it is not to the self-organization, and the dismissal of the capitalists, and the abolition of rake-off "profit" that I object. I put all those things in the meritorious part of the parable. What I regard as its weakness is the impotency of the method proposed for accomplishing those results. That is a weakness which is due to Bellamy's failure to appreciate the essential difference between natural springs and artificial tanks.

I realize, of course, that Bellamy used the tank as a simile for the market, as a symbol for Marx's idea of commodities as "exchange values," as a form of industrial organization, and not as a machine made of wood. What he evidently intended to point at as the power that dominates labor, was not capital in the sense of an artificial machine. His allusion was to business organization.

But for this purpose the tank as a symbol was unfortunate. To our friend down the street, you know, it really does stand for artificial instruments of production, for machinery. So considered, the parable is valueless, of course, in its constructive features. The question that at once arises is this: No matter if the tank owners did stop the use of the artificial tank, why did the workers suffer for want of water if the natural springs were still free to them? They knew how to dip, and they knew how to carry. Did the capitalists own the pails and the tank? Even so, there must still have been natural wood in that country; why didn't some of the workers make pails and a tank for the rest?

To be sure, the parable assumes a country in which all artificial products consist of water carried to a tank. But if you lay your emphasis there, then the pails and the tank must have symbolized some kind of natural instruments of production, like the springs; and in that case the power of the capitalists resided in a monopoly of *natural* instruments, and not in a monopoly of *artificial* instruments or capital—in a monopoly of land and not in a monopoly of machinery.

As an illustration of the economic power of the monopoly of artificial instruments of production, Bellamy's parable is without value. As an illustration of the power of the economic monopoly of natural instruments, it would be excellent but for the defective symbolism which makes it appear to be an illustration of the power of monopoly of artificial instruments. While land-capitalism is deadly to labor interests, whether alone or as an element in capital-capitalism, the latter is quite innocuous without the former. All the evil of capitalism is traceable to land capitalism.

Returning for further simple exemplification of this to our clam digger, with sticks and stones for

his capital, we can see that he is independent as long as he has access to the natural sources of supply of sticks and stones and clams. But what is true of the clam digger in those primitive circumstances, Doctor, is true of industry as a whole in the most advanced stages of the industrial arts and the most complex conditions of commercialism.

If all workers, with their vast diversity of knowledge and skill, are unobstructed, as workers, in access to all the appropriate natural instruments of production, they can laugh at the capitalists who threaten to coerce them by monopolizing the existing artificial instruments. But if diversified labor be obstructed in its access to the natural instruments of production, then mere laborers are indeed helpless and capitalists all powerful.

The coercion of labor has always been accomplished in that way. Except as bodily slavery in some form, or some of its equivalents, such as taxation of industry—except as something of this kind has played a part, the labor of the world has been coerced only by monopolization of the planet, which constitutes the one all-comprehensive natural instrument of production.

In the feudal regime, and in regimes of kindred character—that is to say, in eras in which landlordism was a distinct and visible institution,—the coercion of labor by obstructing its use of the planet was what the street boy would call "raw." Landlords, claiming divine right of ownership of the planet, "made no bones" about plundering workers. Owning the earth, they owned the landless who lived and worked upon it, and they didn't hesitate to say so. The condition was really one of human slavery. The master had become a landlord, the slave a tenant or serf.

But with the development of capitalism to the point of sweeping the planet itself into the cate-

gory of market commodities, land-*capitalism* took the place of land-*lordism*. Consequently, a sort of rude, unbalanced, unfair personal reciprocity gave way to the impersonal wage-slave condition we now see. The social service market, through its phenomena of value measurements, has developed two great—interests, I was about to say, Doctor, as I have said heretofore, but "interests" has so many connotations that it may confuse my meaning; so I will fall back on a good old word, and say "weal." Two great weals, then, have been developed in the social service market by capitalism, in place of the two great personal classes of feudalism—weal in production, and weal in the natural instruments of production.

Weal in production includes all the diversified interests in labor and its fruits, whether these fruits, as some modern economists would call them, be "consumption goods" or "production goods"; or, as the old economists would have said, whether they be "capital" or "wealth"; or, as I should say, whether they be "artificial instruments of production" or "final products."

On the other hand, weal in the natural instruments of production includes all the diversified proprietary titles to the planet.

And just as the weal of landlord class and the weal of vassal class under feudalism were essentially hostile, no matter how tender the personal relationships, so the weal in production and the weal in *natural* instruments of production under capitalism are essentially hostile, no matter how cordial the personal relationships, or even how completely these hostile weals may be merged in the same proprietary titles or in the same individual owners. What either weal gains, the other must lose, regardless of its personal distribution.

Farmer Doe, for example, has a weal in the capitalization of his farm site, another in the cap-

italization of his farm improvements and machinery and stock, and a third in the condition of himself as a laborer. Doe's weal as a laborer is precisely that of old Joshua, his hired man, who hasn't a dollar in the world except his monthly wages. Doe's weal in his machinery and stock is of the same kind, for he has either made it or bought it with what he did make; it is in the nature of wages, or would be if he hadn't a cinch in other ways. But his weal in the capitalization of his farm site is precisely the same as old man Sampson's weal in those valuable building lots from which he gets ground rents—a "rake-off" weal.

In those circumstances the economic conflict is between weals or interests which ramify personal classes, instead of being, as under feudalism, a conflict between personal classes. To be sure, you are quite right, slavery does give us the only perfect exemplification of hostile class interests in the personal sense—master class, slave class, and the nondescript masterless class. Under feudalism, ramifying impersonal interests as distinguished from class interests creep in slightly, and under capitalism survivals of distinct class interests are observable; but characteristically, feudalism involved a conflict of personal classes, whereas capitalism involves a conflict of impersonal interests.

CHAPTER XIX.

The Social Service Law of Equal Freedom.

Once more at Joseph's restaurant, Doctor, at the very table and in the same cozy corner where you and I sat more than a year ago when we fell into our conversations about social service, I feel that there could be no occasion more fit for pulling together the odds and ends of our talks and considering their significance. With me, as I hope with you, they have pointed to the vital importance of universal conformity to the natural law of equal freedom.

Pardon me, however, if I caution you again to observe the meaning of the words "natural law" in this connection. I dislike cautioning you over much, but those words don't allude, you know, to physics merely, nor to vegetation merely, nor to animality merely. They allude to human association, and to all that this implies. Oh, yes; I know of the objection that there can be no such thing as equal freedom, since some men are slaves to evil personal habits or propensities. But I guess you and I don't differ about the shallowness of that objection. It is the favorite pietistic expression, as the other is the favorite materialistic expression, of the evil spirit of hostility to the principle of equal opportunities. While one set of special pleaders try to show, by unduly narrowing the sphere of natural law, that there is no natural law demanding equal freedom, the other set try to show the impossibility of equal freedom by irrelevant references to men who are slaves to

their own vices. What folly it all is—these efforts to make excuses and warrant for man's inhumanity to man. What cruel folly!

Why, Doctor, in asserting the principle of equal freedom, we do not allude to personal habits or propensities which hold individuals in metaphorical slavery to themselves. Nor in asserting that equal freedom is a natural law, do we allude to the natural laws that govern insentient matter or jungle life. You understand that, don't you? What we allude to is something very different. The natural law of equal freedom is a law with reference to human nature in certain human relationships. It is not a law of physics alone, nor of personal character alone; but of the tendencies of human nature in the phenomena of industrial co-operation.

There is no more of lawless chance in the social realm than in the physical realm. Don't you agree? From like conditions come like results, here as in every other sphere of scientific observation. Industrial co-operation springs from and proceeds in conformity to impulses of human nature, with the uniformity of cause and effect. There's no denying it, Doctor. This, then, is a natural law—a social law. Whoever ventures to dispute it may be instantly confounded, merely by reference, as an illustrative example, to the manifest natural human tendency toward what we call "division of labor," the results of which are more or less bountiful as we yield more or less freely to it.

From recognition of that uniform experience of all time, the benefits of "division of labor," to the acknowledgment of equal freedom in human association as a natural law, there is but a step. Agree or not as you please, my dear Doctor, the conclusion is certain to haunt you, that the nearer human association approximates to a condition

of equal freedom—and this means complete freedom, of course, for where all are equally free, each must be superlatively free—the nearer this condition of freedom from the domination of others is approximated, I say, the greater will be the beneficial results of human association. At any rate that is what I mean by the social service law of equal freedom.

The certainty that this is a natural law, and the vital importance of conforming to it speedily in some sensible way, may become clearer to you if we briefly run over the line of thought we have been pursuing this year or so. For all our talks since our first one at Joseph's table here have borne directly upon this very law of human association—this law that Henry George interprets into economics as the law of "co-operation in equality." Those talks have led straight to the point we have come to now.

If the talks were prolix sometimes, it was because I wished to furnish food for your own thought largely, rather than to give you my thought in little capsules; and if they were often boresome, that was because one must be a little boresome, mustn't he? when he is trying to get another to see what he thinks he sees clearly himself, but what the other doesn't see at all—most likely because he isn't looking at it.

Well, to go back to that first talk of ours at this table, what was the main thought that we got out of it? Wasn't it the interrelation or unification or mutualization of service? We made ourselves realize—didn't we?—that even the simplest of human wants in civilized life, a want so simple and so easily satisfied as a dinner at the time when and the place where you want it, is supplied only by a boundless and complex, aye and incessant, interchange of individual services.

Later on in our talks we learned to recognize

this boundless complexity of services by the term that political economists use, which is "division of labor." We learned also that these complex interchanges of service are effected by means of tokens called money, and through book accounts expressed in terms of money. Yet we saw that the whole matter, be the use of money and of money terms never so misleading, be the interchanges they "keep tab on" never so intricate,—we saw that notwithstanding all this, the condition back of the money, back of book accounts, back of banks and checks and drafts and clearing houses, is nothing but an exchange of commodities for commodities. And didn't we find further, in so far as the commodities exchanged were artificial,—were produced by art, or industry, or skill, or labor, or whatever you choose to call it—to that extent didn't we find that the condition is in the last analysis only an exchange of labor for labor, of human service for human service. In other words, upon analyzing money transactions we found—didn't we?—that money, in its legitimate uses, is merely a certificate of service rendered *by* its possessor, which is redeemable upon presentation in the social service market in service rendered *for* its possessor.

Proceeding from that conclusion, we next came to the realization of a still more fundamental fact. We realized that the primary human impulse to social service is the natural human desire for self service. Each serves others because that is the easiest way of serving himself. Human energy, like all other forms of energy, moves along the line of least resistance. And as the normal line of least resistance for satisfying one's own desires in the social state is the line along which one can help others to satisfy their desires, we are willing to serve them—not as a bit of neighborliness now and then, but as a matter of business day by day,

giving our services to others in exchange for the services of others to us. Thus it is, we saw, that industrial co-operation springs naturally out of individual wants.

It was this natural co-operation, you remember, that enabled you and me to get a dinner at Joseph's just when we wanted it—a dinner such as neither of us could have got for ourselves though we had worked at it a thousand years. Yet we did get it ourselves—in a sense we did, you know, and very easily. In that highly important sense we ourselves made that dinner,—and we made this one too which we have just finished—made them both, from crockery-ware to sugar lump, by trading our services to individuals who wanted them, in exchange for the services which an army and navy of workers had done in order to provide these dinners, the whole thing being balanced off by means of money tokens and a maze of book accounts. Complex as all the intervening transactions were, you and I did in very truth get our own dinners here with our own work.

When we had fairly realized that industrial life consists in an interchange of services along the line of least resistance, we looked, as you will recall, for the regulator which guides individuals in so rendering service to others in one form as to get service from others in many forms; and we found it in the relation of money terms to service. Higher prices for a particular service, other considerations being the same, draw service in that direction. But as money expresses only a condition, and is not the condition itself, we sought further and found that the ultimate regulator is what political economists call "the law of supply and demand"—the law that the general demand for service determines the general direction of service.

Of course that conclusion brought up the ques-

tion of competition, which had long been a moot point between you and me. But I guess you are satisfied, aren't you? that competition as I use the word, and as I have the right to use it, is really the life principle of industrial co-operation. For I didn't use the word, you remember, as you had used it before, nor as our socialist friend uses it, nor as Slim Jim Pulsifer uses it. Competition, as I use the word, is the antithesis of monopoly.

It is hardly necessary to do more than repeat—is it?—that the *word* is not the thing, but that the *thought* is the thing. I don't care, you know, whether you say "competition," or "emulation," or something else. The point that I do care for is, first, that you recognize such a social force as monopoly, and, second, that you recognize such a social force as the opposite of monopoly.

Now you may call this force that is opposite to monopoly by any name you please. You may call it "co-operation," provided you don't limit its meaning to co-operative stores and the like, but make it as broad as the world of industrial interchanges. For myself, I prefer to call it "competition" because it has in it normally an element of emulation, which the word competition suggests.

If in our social service activities we compete to get the most service for the least, we shall all find ourselves offering to take least for most, provided our competition is in a social environment of equal freedom. The efforts of all to get most for least as producers of service, and to give least for most as consumers of service, generate conflicting social forces. Yes, I know that I state the same thing in two forms when I speak of getting most for least and giving least for most; but the point is that those two statements do express the origin of two opposing social forces—the force that proceeds from the buying impulse, and the force that proceeds from the selling impulse. Those two

forces, operating in freedom, tend through competition to an equilibrium at the point of fair exchange. Competition in the social service market is like air pressure, you must remember; if it bears only upon one side it destroys equilibrium, but if it bears equally upon all sides it maintains equilibrium.

It was right here, Doctor, that we detected, as you will remember, the disturbing effect upon free competition of the influence of special privileges, which are monopoly forces. Whenever they come in, they exclude competition to that extent; and to that extent the industrial equilibrium is destroyed.

This situation we found in feudal society. Landlordism had destroyed competition and reduced labor to serfdom. Instead of giving service for service, the landless under feudalism gave service for permission to serve. Industrial competition was throttled by a privileged class.

We found essentially the same condition in our present capitalistic society. Industrial competition is throttled, not exactly by a privileged class, but by privileged interests. As land*lordism* destroyed competition once by reducing labor to serfdom, so land *capitalism* destroys competition now by reducing labor to what our socialist friend aptly enough calls "wage slavery."

It is surely as we agreed, Doctor, that there are only two ways of regulating co-operative service—that worldwide social service which springs from individual desires for self service. One way is by monopoly; the other is by competition. Monopoly is pathological, and socially destructive; but competition in freedom is wholesome and socially constructive. Whenever competition is destructive it is because it is not free, because elements of monopoly enter in, because some of us have special privileges which give an advantage

over others in making exchanges of service—an advantage which enables the privileged to get most for least and compels the others to take least for most.

After we had seen this much in the course of our talks, Doctor, we started out, as you will recall, upon a conversational inquiry into the causes of monopoly in the midst of conditions apparently competitive. We sought for the seat of this disorder in the social organization, sought for the apertures through which monopoly had found entrance into a competitive social service market, for an explanation of the pathology of the social service organism; and we began, rightly enough as I guess you agree, with an examination into the mechanism of social service, meaning by this mechanism what is indicated by the word "business," but business in the broadly inclusive sense of all kinds of social service.

By that inquiry we were carried somewhat into the practical intricacies of trading. And there we saw how the social line of least resistance operates, under the law of supply and demand, to compel every one who pays his way in the world with his own work, to produce his own wages, his own earnings, in some form, before he gets them in any form. We were thus able to realize that in effect all workers produce their own wages in the form in which they consume them.

In this connection also we saw how competition operates as the motor force of business under capitalism to compel a square deal among workers, provided the competitive forces operate freely—provided, that is, that the competition is not one-sided but all-sided.

It was in this connection, too, that the functions of money came again in evidence, for money is a business medium and its language the lan-

guage of business. So we took a glimpse at the mechanism of banking.

It was also right here, as you doubtless remember, that we made our analysis of profits. Don't you recollect how we found "profits" to be a dangerously ambiguous term—a term which includes not only "rake-off," which is plunder, but also earnings, which are fair and honest. A boy buys newspapers at wholesale—you recognize our illustration, don't you?—he buys papers at wholesale for a cent apiece, for instance, and sells them for two. So he has made a "profit" of one cent. But "profit" in his case means earnings or wages, for he has earned his profit by serving people with papers. On the other hand, a man buys a vacant lot, for instance, for five hundred dollars, and later on, merely because that locality has become a more important social-service center than before, he sells it for a thousand dollars. The man also has made a "profit"—a profit of five hundred dollars. But profit in his case doesn't mean earnings as it did in the newsboy's case. Nor does this depend upon the difference in amount. It depends upon the fact that the man has served no one. So far from serving, he has obstructed. He has obstructed builders by holding a much-desired part of the planet out of use for a higher price. Whereas the boy's "profit" was earnings for service, the man's "profit" is "rake off" for interfering with service.

You saw then, Doctor, that "profit" is too ambiguous a term for thinking purposes, and no doubt you see it yet. The confusion arises out of that fundamental confusion in capitalism which we have talked over. I allude, as you doubtless infer, to the confusion in the social service market of land with the products of labor from land. These are treated as if they were commodities of like character, when in fact they are essentially

as different under capitalism as they were under feudalism. A similar confusion extends to special privileges when they come as commodities into the social service market. In fact, nearly all special privileges are but different forms of land monopoly, such as rights of way over land. Those that are not strictly land monopoly, such as patents, are of the same elementary nature,—for all privileges originate in the exercise of the sovereign power of the state in behalf of some folks and against others.

But we must hurry on. It was by inquiries such as those I am reminding you of, that we came in our talks to an understanding of the derangements of the mechanism of social service; or, as we had been accustomed to say, of the pathology of the social organism; or, as we might now say, and perhaps more pointedly and significantly, of the pathology of capitalism. And you will agree, won't you? that our inquiry revealed the seat of the disorder. Don't you think that he who controls the instruments of production that are necessary in social service, controls both product and producer? Well, that suggests the seat of the disorder as our inquiry revealed it.

But we couldn't stop there—not as rational inquirers. Having found that monopoly of the instruments of production constitutes the evil power of capitalism, it became necessary to ascertain whether this is true of all kinds of instruments of production or only of some kinds. Common sense demanded, in other words, that we should analyze and classify the instruments of production which are characteristic of capitalism, in order to see whether in the last analysis the evils of capitalism are fundamentally due to monopoly of all, or to monopoly of only some, kinds of instruments of production. For it may be, you know, that the monopoly of all kinds, and the evil effects thereof,

proceed from and are dependent upon the monopoly of only some kinds.

What difference does it make? Can you ask that now? Why it makes all the difference in the world when you come to remedies.

If the fundamental trouble with capitalism is monopoly of all kinds of capital, of all kinds of instruments of production, then our socialist friend is right. In that case the necessary remedy is his demand for the abolition of private ownership of all kinds. But if the fundamental trouble with capitalism is monopoly of only some kinds of capital, the monopolization of the rest being an effect before it becomes a cause, then our socialist friend is wrong. His remedy is, in that event, not necessary in its entirety. If adopted in its entirety it might make new evils instead of eradicating old ones. Our best remedy would be to abolish the monopoly of those kinds of capital, of those kinds of instruments of production, that make the monopoly of the other kinds possible. Should this prove enough for the purpose of securing equal freedom, why go any further? You wouldn't keep on giving medicine, would you, to a patient you had already completely cured? And you wouldn't bother about secondary causes of a bodily disease, would you, if you could get at the primary one? But if removal of the primary monopoly proved to be not enough? Well, that's hardly thinkable; but in that case we should at any rate know much better than we do now what the next step ought to be and how to take it.

Do we understand each other now, Doctor? All right. Since then we realize the practical importance of the analysis, let me remind you of the further points in the inquiry we were making in our talks.

Having fixed upon the point that he who controls the instruments of production necessary in

social service thereby controls both products and producers, we proceeded to analyze and classify the instruments of production. We went on, that is, to ascertain the essential characteristics of the different kinds of capital if any such there might be. And what did we find? We found that in the last analysis there are two absolutely different kinds of capital—different in origin, different in economic character, different in industrial quality. We found, that is, that some kinds of capital are *natural,* and that other kinds are *artificial,*—natural sources and sites, and artificial products.

The only thing which these two kinds of capital have in common is value in the social service market. But we had already seen that market value in common cannot make different things essentially identical. Terms of value are only modes of measurement in exchange. We wouldn't say that a pound of lead and a pound of feathers are the same because they have weight in common. Then why say that a dollar's worth of natural coal deposit and a dollar's worth of artificially produced coal at the distant coalyard, are the same because they have value in common? The determining element in classifying different kinds of capital is not weight nor value. If you need a pound of lead, a pound of feathers won't do; if you need a dollar's worth of natural opportunity to mine coal, a dollar's worth of artificial coal-mining machinery won't answer the purpose. The fact that you personally might swap mining machinery for mining opportunity might serve your own temporary use; but it makes little difference when you get down to a consideration of the relation of all natural coal deposits to all artificial coal-mining machinery, and none at all when you get around to considering the relation of this natural planet to the artificial capital which is drawn from and

to be used upon the planet. In that broad inquiry, the common element of value ceases to identify. Our analysis and synthesis must extend to the objects themselves as distinguished from their value.

Those who own the planet among them are masters of everybody else. Those whose interests are in natural capital dominate those whose interests are in artificial capital. Even if value be an element which the two kinds of capital have in common, the value relation varies. As artificial capital increases in effectiveness, its value relatively to natural capital falls. All experience proves this. If you prefer the converse form of statement, the value of natural capital relatively to artificial capital rises as the latter becomes more effective. How, then, could there be any reasonable escape, if we would rationally consider the natural laws of social service, from the necessity of distinguishing the capital that is artificial from that which is natural?

As we proceeded with the inquiry which had led us to that conclusion, you will remember that we came to a further conclusion. It was an unavoidable one, don't you think? I mean the conclusion that the control of natural capital, of the natural and unreproducible source of all production, of our natural environment, of the planet itself,—that this control, and not control of the artificial and reproducible products of human art and skill drawn forth from the planet, is the kind of monopoly that primarily disorders the social service market; that this is what makes workers dependent upon capitalists for opportunities to work, and emasculates their natural ability to exact service for service.

Yes, we did agree, I think, that monopoly of the artificial instruments of production is in fact a cause of the social disease. If we didn't we

will now, for it is true enough. But we agreed also, or should have done so, that this cause is itself an effect of the deeper cause. The monopoly of those labor products is an effect of monopoly of the natural sources and sites for labor energy. In so far as monopoly of artificial instruments of production is socially injurious, it is due to monopoly of natural instruments of production. To translate this conclusion into terms more appropriate to capitalism, we may properly say, as I have done occasionally, that monopoly of artificial capital is caused by monopoly of natural capital.

And doesn't that express the exact truth? If we state our diagnosis of the social disease in the briefest capitalistic terms, shall we not have to say that the cause is monopoly of natural capital? The same idea would have been expressed by the old economists, influenced as they were by customs and forms of speech that are more or less survivals of feudalism, in some such phrase as that the cause of the social disease is monopoly of land. But inasmuch as in most parts of the world land is now capitalized and treated in the social service market as a commodity along with the other instruments of capitalistic production, we may secure greater clearness and a better and wider understanding if we attribute the cause to monopoly of the natural instruments of production; or, in capitalistic phrase, to monopoly of *natural* as distinguished from *artificial* capital.

Come back with me now, Doctor, to our natural law of equal freedom in social service,—in the natural social service, that is, which originates in and is maintained by the natural individual desire for self-service.

The reason that we have social disease under capitalism is essentially the same as the reason

they had it under feudalism. If the planet had been held by feudal landlords truly in trust for the common good, so that the law of equal freedom could have operated, feudal landlordism would not have been so bad. It would have been a crude form of land communism. All the people would have shared fairly in the general benefits of the time, while each would have had the particular benefits of his own individual service. It was not landlordism that hurt under feudalism; it was the perversion of landlordism from a public trust to a private monopoly.

No, no, Doctor, I am not alluding to the arbitrary power of the military features of feudalism. They constituted a species of man-ownership, and owning men is one of the forms of slavery, as monopoly of land is the other; we have been over that ground, you know. What I allude to now is only the economic features of feudalism; although it is my firm conviction that equal freedom with reference to land would have greatly modified if not wholly eradicated the severity even of those military features. But, recurring to our point, let me repeat and with emphasis, that the evil of landlordism during the feudal regime was not landlordism itself. It was the perversion of landlordism from a public trust to a private usurpation, whereby the benefits of social progress were diverted from the people to the usurping trustees.

So now under capitalism. If the planet were capitalized for the good of all, instead of being capitalized for the profit of its capitalistic owners, capitalism would not be a bad thing. Indeed, Doctor, I think it might be a very good thing. Perhaps I may go further and say, as I believe, that in those circumstances capitalism would be the best possible system of social service.

The reason I believe so? Because I think that

capitalism, if the capitalization of land were a common fund instead of a private fund, would establish substantial economic justice. How? By securing to each, on the one hand, the service of others in proportion to his contribution of service to others; and by securing to all, on the other hand, an equal share in the benefits of social growth. It would do this because it would be in strict conformity to the social service law of equal freedom. You think me dogmatic? Very likely I am, but this is merely a statement of what I intend to prove.

The law of equal freedom in the social service market means, as I have already asked you to note, that each shall have full freedom to satisfy his own desires, within the limitation that he invade no one else's freedom to satisfy his desires. The equilibrium is necessarily equality of opportunity. Isn't that so?

And it implies two things, as I think you will also concede. From the idealistic standpoint it implies recognition of the doctrine of natural rights; from the utilitarian standpoint it implies the best results.

You may look at the law of equal freedom as if you were a narrow Eighteenth century believer in natural rights, who pays no attention to practical results; or as a reactionary utilitarian, who neither cares for nor believes in natural rights; or as a true idealist, and therefore also a true utilitarian, who believes that utilitarianism and the doctrine of natural rights are but two phases of the same thing.

I don't care how you regard this law of equal freedom in those controversial aspects. The point I make to you, if you are only an idealist, is that equal freedom is recognition of natural rights. The point I make if you are only a utilitarian, is that equal freedom produces the best results. The

point I make if you see the identity of true ideals and worthy utilities, is that equal freedom is the shield of which they are the two inseparable sides. It is the natural law of which ideality is the active principle and good results the fruit.

Now, it seems to me that the law of equal freedom, which I regard as a natural social law by every test of what constitutes natural law that you can put it to—it seems to me, I say, that this natural law points to capitalism as a natural form of that universal industrial co-operation which we have called social service. Aye, and I am rather inclined to believe that capitalism is not only *a* form of social service, but that it may be *the* form of social service.

Have a care, though, for I am talking of capitalism itself, and not of its perversions. Unperverted capitalism is not bad. Unperverted capitalism seems to me to be good. No, not good for special beneficiaries, for unperverted capitalism would have no other beneficiaries than those who pay their way in the world with their own service. It would be good for us all. And whether or not unperverted capitalism is the best form of social service we ever shall have, it is certainly the best we ever have had. It is the best, moreover, that we are likely to have at any time not very remote. It is the best besides that we can have, within any such time,—except through destructive revolutions that would be as likely to send us backward as forward. I will go a little further, Doctor, and say that unperverted capitalism is the best form of social service that has ever been suggested. And I say this with most kindly consideration for the proposals of our socialistic friend and for those of our communistic friend. For capitalism unperverted utilizes the self interest of each in normal ways for the good of all. Although it may in time give way to a better form of social service,

it is more likely to do this through the steady processes of evolution from a cruder to a better capitalism, than through revolution or out of premature decay.

CHAPTER XX.

Application of the Law of Equal Freedom.

True enough, true enough, capitalism has in fact subordinated the interests of all to the greed of a few, as our socialistic friend says. But that is not capitalism per se. That is not capitalism in and of itself. That is perverted capitalism. I am talking of capitalism unperverted; remember that—unperverted, unperverted.

No, not at all; I don't allude to perversions by individuals. A man may rob a hen roost, thereby diverting one kind of wealth from its owner; or may bribe officials, thereby diverting other kinds of wealth; but all this sort of thing is mere individual rascality. What I am trying to do is to distinguish individual from institutional perversions. I am not thinking of tainted money. I do not allude to any of the perversions of capitalism which the community wouldn't tolerate if the facts were known. These are not the perversions that make capitalism seem like a social ogre. The perversions of capitalism that do make it seem so, and to which I do allude, are the institutional perversions that are maintained by common consent, with full general knowledge of the facts, but in general ignorance of their industrial effects and moral significance.

Were it not for these institutional perversions, Doctor, I really believe that capitalism would produce, in a normal way, through orderly evolutionary processes, under the regulation of the social law of equal freedom operating in conjunction

with the individual law of the line of least resistance—I truly believe that in the absence of those perverting institutions, capitalism would produce a co-operative commonwealth of social service infinitely better than any which the fondest visions of utopian dreamers have ever revealed.

By evolutionary processes, I say; not by conventional contrivances. Conventional contrivances are arbitrarily coercive, and a true co-operative commonwealth must be free of arbitrary coercion. No co-operative commonwealth would be free in which, or over which, there were any who as king, or president, or governor, or committeeman, or legislature or bureaucrat, could coerce beyond the point of preventing each from invading the equal freedom of any other.

The only coercion beyond that would be on the basis of contract, free contract. And what objectionable coercive power could there be, let me ask, if all the parties to every contract were governed in their bargaining only by their own reciprocal desires and the necessity of leaving others in equal freedom? When each bargains freely and upon an equal footing, the resulting coercion must be equal. When the motive of each is the betterment that a free contract gives to both, and not the exercise by either of any power due to institutional advantages in negotiation, arbitrary coercion is almost unthinkable. And this is the distinctive characteristic of capitalism unperverted.

For in the last analysis a capitalistic regime is a regime of contract. As all things in the social service market are capitalized, men deal in them on a basis of value, value being the capitalistic measuring rod of social-service contracts, just as the terms of value are the capitalistic language of the social service market. The whole affair is contractual, don't you see it is?

And since it is all contractual, don't you also see that our objective in dealing with capitalistic evils should be to secure conditions of contractual freedom? Don't you see that equality of contractual status is the underlying necessity? It is the truth, Doctor; it is the truth. Equal contractual freedom is the secret of beneficence in capitalism; unequal contractual freedom is the secret of such malevolence in capitalism as perverts it.

Let there be true contractual freedom among individuals for the interchange of services, and capitalism will give us a co-operative commonwealth that will grow better as it grows older. Let the present contractual inequalities remain in capitalism, and they will multiply until capitalism develops not into a co-operative commonwealth but into a plutocratic tyranny inconceivably worse than any tyranny of which we know.

Abolish capitalism! Why that would be to substitute authority for contract. Our socialistic friend? I know he does—he always insists that the abolition of capitalism would promote freedom of contract. But every practical suggestion I have ever read or heard of for abolishing capitalism certainly does involve a more or less complete abolition of contractual methods—absolutely complete so far as large transactions are concerned. Isn't it true, at any rate, that every proposal our friend suggests is either utopian, in the sense of being dreamy and impracticable, or else is so arbitrary that no room for free contract is left?

And so it is with him as to abolishing competition. No, I shan't go into that question again, except to ask you to observe that the choice is not between competition and something better. It is between competition and bureaucratic regulation. Bureaucratic regulation is destructive of free con-

tract; competition is of the essence of free contract.

In his indictments of capitalism, however, as distinguished from his notions of reconstruction, our socialistic friend has no thought of abolishing contract. His complaints against capitalism are all directed not at the element of free contract but at the element of inequality of contractual conditions. In other words, Doctor, when you sweep away our friend's book patter and his "soap box" phrases, and probe his thought, you find that he and I are pretty close together. His complaint is really not against capitalism. That term is only one of his habituals, like "proletariat," "bourgeoisie," "wage-slave," and so on, which are his "he-gods" and his "she-devils." It is not really capitalism, I say, that he condemns. It is the perversions of capitalism.

Be fair enough to him to get at his thought back of his words. Through his flood of socialistic terms you will find that his intellectual guns are really leveled, not at the contractual characteristic of capitalism, but at the conditions of privilege which destroy freedom of contract—destroy it by investing some bargainers with contractual advantages and placing others at contractual disadvantage. And if you follow his earnest thought with sympathetic thought of your own, you will find, as I think I have found, that the capital which he thinks of as monopolistic is not every kind of capital, nor even every kind of large capital, but *natural* capital as distinguished from *artificial* capital.

Yes, I know, he always includes large machinery, which is artificial, of course; but when you get him down to specifications, his monopoly of large machinery always turns out to be, or to depend upon, monopoly of land—except as it may now and then be a patent monopoly, or some other

form of governmental franchise which is at bottom analogous to landed franchises.

What we need, Doctor, in order to produce a civilization of social justice, and what I think our friend will yet agree to, is not the abolition of capitalism with its ideal of free competition and free contract, but the abolition or readjustment of institutions which pervert capitalism.

Only the other day I was talking with him about his program. It was during a political campaign. He said he really had no program except to raise the working class to political power. "How can I foretell," he asked, "what the working class will do when it gets into power?" Of course, I agreed that he couldn't foretell at all. Indeed, I agreed with him further. I agreed that the working class ought to be in power—meaning by working class, you understand, not a personal class composed of particular grades of workers, but those impersonal industrial interests of all degrees that may be distinguished in the mass as working interests in opposition to privileged interests. But I told him that the working interest cannot get into power as long as the planet is monopolized. "Let me have monopoly of the planet," I said to him, "and single handed I'll keep the great army of labor out of political power till the crack of doom." And I reckon I could, don't you?

To return, however, to what we were saying. Something very different from the abolition of capitalism, with its ideal of free contract, is needed to establish social justice. What is needed is the abolition, or readjustment, of institutions that pervert capitalism. Let me follow that thought a little further. We should not abolish contract, which is the essential characteristic of capitalism; on the contrary, we should make contract free by removing obstacles and securing equality of contractual opportunities. In other words, we should release

capitalism from the institutional ligaments that prevent its normal operation.

Quite likely you are right. The method or methods by which that would have to be done would be socialistic. I don't see how it could be done by leaving things alone. Society in its organized form—government if you please—would have to act; and it would have to act co-operatively, as the organized agent of unorganized society. A true saying was that of William J. Bryan in one of his non-partisan speeches in 1908—that government exhibits two influences, the coercive and the co-operative, and that the coercive declines and the co-operative advances with the advance of the common intelligence. I suppose that that is socialism in a sense. So is what I should propose for the redemption of capitalism from its institutional perversions. It is socialism in a sense.

Understand me, however, that I would not try to appropriate the name. "Socialism" is a word that has obtained currency with different meanings from mine in some respects. But neither would I shrink from acknowledging it, for it has a significance which no other word serves to express. Isn't there a tendency in human affairs which is best described as socialistic? It seems to me to be a reaction from the individualistic tendency, due I think to the fact that the two tendencies are natural and correlative, and that each, under the influence of the other, is by action and reaction seeking equilibrium. If, however, what I am aiming at is socialism, then I must call it *natural* socialism to distinguish it from the arbitrary or conventional or *artificial* forms of socialism that are often proposed.

Arbitrary socialists would abolish capitalism by means of conventional or artificial reorganizations of social service. They would thereby do away with the contractual mode of social service, and

substitute regulations by government, or bureau, or guild.

But natural socialism would retain and perfect freedom of contract by divesting capitalism of its perversions. Capitalism divested of its perversions would be natural socialism.

How is the thing to be done? By recourse to the social service law of equal freedom.

And that? By securing equality of contractual conditions for all.

And that? By practically—no, not virtually, but in actual practice—distinguishing in the social service market the two essentially different kinds of capitalism. Yes, I refer to natural and artificial capital—they must be distinguished according to their essential differences. What I mean is that equality of contractual conditions is to be secured by some practical distinction, with reference to capitalistic rights of property. We must distinguish between capitalized artificial instruments of production, and capitalized natural instruments of production, between artificial capital and natural capital.

How would that secure equality of contractual opportunity? In the same way in principle that the analogous distinction would have done so under feudalism. If the land—the planet, you know—had been treated in feudal times as the sacred inheritance of all, and its products as the sacred property of the producers and their contractual representatives, there would have been basic equality of contractual opportunity. Social servitors would have interchanged their individual services in such freedom as to have produced approximately the ideal of service for service. Feudal landlordism would then have been a social blessing instead of the social curse it was.

In those circumstances the people themselves would have been the real landlords, and the nomi-

nal landlords simply social trustees; and wouldn't freedom of contract have had opportunity then for full swing? Of course there might still have been arbitrary interferences with interchanges of service, and these would have been deadly if largely tolerated. But with the basic freedom established, which is freedom of access to the natural sources and sites for service, the advantage of position would have been with the people. Who would have been a cringing serf, yielding to arbitrary interference, where none were landless? What producer could have been coerced contractually where landed opportunities were equal? Men would have bargained in freedom and upon an equality even in feudal times, if the land had been for all. Nothing short of personal enslavement, direct physical coercion, could then have made any man say "lord" or "master" to any other; and that coercion would have been exceedingly difficult to impose had rights to land been equal.

Precisely so in principle, Doctor, in these post-feudal times, when modern capitalism has grown up out of feudal landlordism. Were we to treat capitalized land as the sacred inheritance of all, and its capitalized products as the sacred property of the producers and their contractual representatives, equality of contractual opportunity would forthwith appear, and capitalism would be a blessing instead of the curse it is. The people themselves, all together and in common, would then be the *land*-capitalists; while each for himself would be a *machine*-capitalist, either alone or in voluntary co-operation with others.

If you would slightly realize the importance of making land-capital a common inheritance—*natural* capital as we have called it in contradistinction to machine-capital, or *artificial* capital as we have called that,—if you would but faintly realize

the importance of this change, my dear Doctor, just look up the statistics of land capitalization as opposed to the capitalization of what is strictly capital. Look up the capitalization, that is, of the natural instruments of capitalistic production, and compare it with the capitalization of the artificial instruments. The data is exceedingly defective to be sure; but its defects are against me, not for me. Full and accurate data would show the aggregate of land values to be much more in excess of machine values than the defective statistics do. But defective as they are, the statistics of land capitalization are monumental as compared with the other kind of capitalization, if you look a little below the superficial figures.

Contrast, for instance, the values of city, town and village sites with the values of the improvements. In Greater New York it is something like two to one. Contrast the value of railroad rights of way, especially terminals, with the value of tracks and rolling stock. Contrast the value of mineral deposits with the value of mining machinery. Contrast the value of all the farming sites of any community or all communities, whether the sites are cultivated or not, with farm improvements. Why, Doctor, the capitalization of the natural instruments of production is enormously greater than the capitalization of artificial instruments.

And then think of another thing. The artificial instruments are wearing out. Each particular one of them is of less value every year than it was the year before. All of them together, aside from repairs and replacement, are worth less as a whole at any time than at almost any time theretofore. Not so with the natural instruments. Although the soil of farm sites wears out, and the deposits of mining sites give out, and sites of all kinds here and there depreciate in value in con-

sequence of shifting population, this is not so of most sites nor of all sites together. Sites as a capitalized whole, the land, the planet, this great natural instrument of production, upon which we depend for all other instruments, this *natural* capital, is worth more and not less from generation to generation. So that when the artificial instruments of any generation, the *artificial* capital which comes to that generation from the preceding generation, when this has all gone or almost all gone back to the land whence it came, and is of no more use and no more value, natural capital is more valuable than before and is capitalized higher than ever. It is the same old earth, the same revolving planet, with no extension of area and no addition of substance; but its capitalization has risen, and in consequence those who wish to exchange service for service must yield a larger service than ever to the owners of this natural capital.

Observe further, Doctor, that co-operative labor, the aggregate labor energy of the social service market, not only could but actually does, day by day and year by year and generation by generation, replace and improve and add to the artificial instruments of production, but that it cannot add to the area or the substance of the planet. It can and does increase the supply of *artificial* capital by production; it does not and cannot increase the supply of *natural* capital by creation.

Don't you think, Doctor, that if the planet, from which all these artificial instruments of social service must come if they come at all, and upon which they have to be utilized if utilized at all,—don't you think that if the capitalization of this planet were treated as a mass of common values, as *natural capital* which is fairly the inheritance and property of all, that an era of free bargaining would result, in consequence of which

the capitalization of products, including ***artificial capital,*** would be distributed in pretty fair proportion to useful service?

Don't you think that under these circumstances those who served best would get most? that those who served least would get least? that those who didn't serve at all would get nothing? and yet that even those who got most would nevertheless have no coercive powers over even those who got nothing?

What would become of those who didn't serve? Why, that would depend. They might get charity for humanity's sake, though they refused to pay their way with service. They might get gifts for friendship's sake; or support from over-fond mothers or wives; or loving family care, or just and liberal communal care, if they were really helpless to serve. But they would get nothing as matter of contractual right. The worthy would not suffer. As for the unworthy—well, we could then say to them what it is now a mockery to say to idle men: "Go to work!" For in those circumstances, Doctor, there would always and everywhere be more profitable work to do than men to do it.

Don't you see it all, Doctor? Well, if you do see it in theory, let us pass on to the practical. If you grasp the principle, let's get down to the concrete.

By what practical method may we distinguish natural capital from artificial capital, so as to secure under capitalism, in common to all as social units, the benefits of natural capital, and to each individual in proportion to his service the benefits of artificial capital? In other words, Doctor, how shall we in practice divest capitalism of its perversions, how establish natural socialism without

artificial socialism, how apply in practice to capitalism the social service law of equal freedom?

Yes, it's too late to go into that here; but come along with me to my house and we'll finish our talk as we go.

CHAPTER XXI.

Method.

Any method of divesting capitalism of its perversions and applying to it in practice the social service law of equal freedom, must conform at the outset to prevailing customs. If it doesn't do this it won't be practical; for human nature is not revolutionary, but progressive. As it is true of the individual that he is largely a creature of habit, so it is true of society that it is largely a creature of custom. I have here an excellent book on that subject. It is Carter's "Law: Its Origin, Growth and Function," and I will let you take it with you if you wish—James C. Carter, you know; probably the ablest lawyer at the New York bar at the close of the last century. But may we not agree for the present, without turning to any books upon the subject, that in choosing a practical method for so radical a purpose, we must select one that is adaptable in its beginnings to deep rooted custom? Well enough it may be, Doctor, to hitch your wagon to a star; indeed, it is the thing to do if your wagon be an observation vehicle. But your plow you must hitch to something nearer the center of the earth. And practical reforms are more like subsoil plows than sky-sailing wagons. You must hitch practical reforms to prevailing customs.

Now what are the customs to which any method for effecting our ultimate purpose must at the outset conform? Listen. We are dealing with landlordism in its modern guise of land capitalism. That is the prevailing custom of which we

have to take account. And we want to alter its effect from a fostering of special privileges to the establishing of equal opportunities. Isn't that our problem?

Obviously, then, the thing to do is to make land capitalizations common property. This is the star to which we must hitch our wagon.

But in attempting at once to make land capitalizations common, we should come in conflict with the deep-rooted custom of private land tenure, which must be respected if we would succeed. Whether common occupancy be the best tenure of land or not—and let me assure you that I am very far from thinking it so—but whether it be so or not, the practical method of establishing common interests in land in place of special privileges, must conform to the prevailing custom of private tenure. This is the team to which we must hitch our plow.

Not only must our method conform to the universal custom of private tenure, but it must vary in form with place and time as customs of private tenure vary. In some parts of the world, for instance, tenancies under great landlords constitute a custom so common and deep-rooted that a change to tenancy under the state would cause no social shock and might be along the line of least resistance and greatest momentum. But on the other hand there are parts of the world where every one at least hopes to be his own little landlord; and where this ideal is customary, tenancy under the state would be repugnant to all who had not yet given up hope. In such places common ownership would be along a line of high resistance and low momentum; and there a method must be used which, while it involves the principle, will not run counter to the custom.

Our own country, Doctor, is in the latter category. Private ownership of land is our national

ideal. We flatter ourselves that every one can have his home and ground to cultivate if he wants it. We know in our souls that this isn't so, but it is one of our forms of patriotic self-flattery. Even if it were so, opportunity to cultivate a garden plot or a little farm is not enough. The cultivation of the earth consists not alone in growing garden truck and farm produce. Without straining metaphor in the least, cultivation of the earth may be said to consist also in digging ore, in manufacturing, transporting and trading all kinds of goods, in building houses and factories and machines and ships, and in otherwise rendering service for service throughout a vast industrial network. Since our planet is capitalized, the thing needful is not to get a little agricultural land on a social frontier. The thing needful is to secure participation for all in the social advantages of capitalism at its best; and this is to be accomplished by securing equality of interest in land capitalizations.

As I have already indicated, our object could be accomplished by nationalizing the land, thereby making everybody a tenant of the state. But this would conflict in our country with deep-seated customs and habits of thought. What we need here is a method of securing the result without tearing up our customs by the roots. If we get such a method, the evils of the custom will yield to the influences of purification.

What do I suggest? I suggest what Henry George proposed when he advised the abolition of "all taxation save that upon land values." You have "Progress and Poverty" in your library; read the four chapters of book viii over again, and weigh the arguments for and against this proposition, for they are all there. It is enough for me to say now that the essence of the proposition is the taking annually for common use, by

our customary machinery of taxation, of a percentage of the customary value of capitalized land, and the exempting of everything else.

Run counter to the custom of taxing everything in sight? Yes, it surely would. But that custom is not deep-seated. A custom which everybody tries to elude, offers no serious obstacle to reforms running counter to it. Consequently I should expect little difficulty in getting cordial public approval of so much of George's proposition as involves the *exemption* of artificial capital. As to the part that involves the taxing of capitalizations of land, why that encounters no hostile custom either, for we already tax capitalizations of land. George's method would in practice raise only a question of more or less; and questions of more or less are not vital with reference to habits and customs.

You won't mind coming into the house with me, will you, Doctor, and spinning out a little longer what is to be our last talk on the science of social service? I want to try to show you how this simple change in a detail of taxation would in practice adapt capitalism to the law of equal freedom.

For illustration, now, out of the window there you see Simon D. Sampson's vacant building lots. What do you think would happen to them, if *artificial* capital were exempt from taxation, and *natural* capital made up the difference by a high ad valorem tax?

Couldn't keep on holding those lots out of use? Of course he couldn't. They are natural capital, and their capitalization runs up to a pretty figure. To hold them vacant and idle any longer wouldn't pay, if they were taxed a good percentage of their capitalized value. Sampson would have to utilize them himself, or else let somebody else utilize them. Either way their capitalization would fall,

and untaxed buildings would rise upon them, constructed of untaxed materials.

No, Sampson's case wouldn't be isolated. The effect would be as universal as the reform. Sites for buildings, natural deposits for mining, sites for farms, natural sites and sources for all kinds of production and trade, would be available in abundance and far in excess of the demand. Consequently they would have no capitalization. Only the sites of exceptionally high utility, of which there were not enough to supply the demand, would have any capitalization. There would be no "rake-off" profit—don't you see?—in holding out of use any sites below that high grade of utility. Consequently sites below that grade would command neither price nor rent nor be subject to any tax. But as taxes from the superior and scarce sites would be ample, all improvements and all produced goods of every other kind would be exempt, and consequently much cheaper to produce—not cheaper in labor cost, but in taxes and profits on taxes—and therefore much easier to buy. Sampson, for instance, would no longer hold out of use his suburban lots, nor that pasture land just beyond the city limits, any more than he would hold out of use those vacant building lots over yonder.

No doubt the lots over yonder would retain a capitalized value, for they are exceptionally well located. There are not enough such locations to supply the demand. For that reason those lots would furnish public revenue—but for the site and not for the improvements that would come. Quite different, however, would it be with the suburban lots and the pasture. That "pasture" of Sampson's is a fraud. People want homes there, and Sampson puts the place to pasture because this enables him to keep the site out of its best use without paying an urban tax. It is a

cheap way of waiting for higher prices for building lots.

Now, if Sampson had to pay taxes heavily on the capitalization of that "pasture" and those lots, and heavier still as their capitalization rose, what would happen? Wouldn't he utilize them himself by building houses there? or else sell to somebody who would? or else, if he couldn't find a customer, wouldn't he renounce proprietorship and let the land fall into the category of common lands having no market and therefore no capitalization, and open to the first takers? and in that case, wouldn't they hold the lots and use them without tax until the lots began to get scarce enough to become tradeable at a valuation and therefore to exhibit a capitalization again? A close approximation to this would certainly be probable with sites like those suburban ones of Sampson's. The market would force it. For when everybody was taxed heavily on his land capitalization, all sites not in use would seek a sale, thereby creating a falling land market, which would lessen the capitalization and so increase the financial accessibility of land generally.

And coincident with that process—don't forget this, Doctor—coincident with the process, all *uses* of land would be exempt from taxation. While the farmer, if an owning farmer, paid a heavy percentage in taxes on the capitalization of his site, if it was scarce enough to have a capitalization, he would pay nothing on his improvements, his stock or his product. If a tenant-farmer, he would pay nothing except his rent, no tax at all, and new farm sites would be cheap to get, so that he might easily become a farm owner. While the mining interest paid heavily on the capitalization of natural mineral deposits scarce enough to have a capitalization, they would pay nothing on minerals extracted. While real estate interests paid

a heavy annual percentage on the capitalization of building sites scarce enough to have a capitalization, they would pay nothing on buildings. While railroads and other transporting agencies would pay a heavy percentage on the capitalization of terminal sites and of rights of way from terminal to terminal, they would pay nothing on rolling stock and plant.

Don't you realize, then, that *artificial* capital under this stimulus of exemption from taxation and accessibility to *natural* capital, would increase? Don't you see, in other words, that the demand for mutual service would be augmented by exemption from taxes and enhanced accessibility to land? And don't you see that augmented demand for service implies augmented compensation for service?

Don't you see, further, doctor, that those ultimate results would show themselves in degree as the reform was begun—smaller results with mild beginnings and greater ones with advanced application, and the same results in kind from least to greatest? And don't you see, also, that incidentally still other results, tending to socialize the social and individualize the individual, would appear?

Think it over. As the process went on even from the mildest beginnings, the co-operative functions of government would by natural evolution come more and more into play. Public utilities of the natural monopoly order would be operated by the appropriate governments—national, State, municipal. And there would be a tendency toward operating them free, as the fact dawned upon the public mind that the expense could be met out of taxes calculated on the increase they gave to the capitalizations of land in the regions in which they were operated.

In some such way as by the process I have in-

dicated, natural capital would come to be more and more a source of common revenue. We should thereby secure for all, the financial benefits of social progress which now go so largely to capitalistic interests. Land capitalization would decline, but not the common revenue. This would rise with social progress.

The reason that land capitalization would decline would be, not because land revenue did—for it wouldn't—but because land revenue would be so largely, even if not exclusively, public revenue instead of private revenue, that there would be but little of it left to capitalize. And so, *land*-capitalization (hardly more than nominal in the end, although the annual revenue from land had greatly grown), would be completely distinguished from *capital*-capitalization—the *natural* from the *artificial* instruments of production. And this distinction would begin in degree as the reform began, would grow as the reform grew, and would yield its beneficent social and individual results throughout in proportion to the intensity of application of the reform.

Don't you see, Doctor, that the interchange of service for service would be freer and freer as that process went on—the process of transforming natural capital into community capital, and of confirming individual ownership of artificial capital in its producers, according to their earnings?

Think a moment, then, and you will realize that it would all be effected by means of individual bargaining. Contractual freedom, stimulated by the earlier applications of George's method, would progress with the advance of the evolutionary process; and out of it would come, without friction and speedily though gradually, a condition in which exchangers of service for serv-

ice would be upon an equal bargaining basis and free from "rake-off" profits.

Each who needed any form of *artificial capital* would bargain for it freely with those who needed other forms. They would bargain for it on the basis of service for service, and with no undue advantage to either in the negotiations. The benefits of the exchange would go to the bargainers themselves, all of it, without so much as the burden of a tax, and with no profit to privileged interests, for there would be no such interests.

Each who needed *natural capital* would bargain for that also, freely among themselves, on the basis of differential advantages of location; and the outcome of their own bargainings for location would determine the interest or revenue of the community; for upon that pro rata basis each occupant of land would pay taxes—taxes to the public, mind you, and not "rake-off" profits to speculators—no taxes at all for sites of no exchangeable value, a little tax for sites of a little exchangeable value, and higher taxes for sites of higher exchangeable value.

The people would be on the high road toward contractual freedom from the start, however slight the momentum at first. And with their advance along that highway, freedom of contract would be progressively greater as they approached the ideal of the perfect law of equal freedom.

Dogmatic as I may have seemed these last few minutes, Doctor, I have not intended to be. I have only indicated results which are fairly demonstrable in theory. In many places where the process is in operation, in a small way, these results are demonstrating themselves in actual experience. I refer you to New Zealand, some of the States of Australia and some parts of Canada.

This "the single tax"? Certainly. And what difference does that make? Is the proposition it-

self either better or worse for the name? All through our talks I have been trying to give you "the single tax" as an economic philosophy ("natural taxation," as Thomas G. Shearman called it in his book of that name, and this is doubtless the better term); and now I have given it to you as a practical method of social readjustment—a method, as I have told you, of subjecting capitalism to the law of equal freedom.

And pray take notice that when I say "method" I don't mean reconstructive contrivance. Social reform must be accomplished not by artificial or conventional reconstruction. The methods of reform must be processes of promoting natural development. Social reform is more like the work of the gardener than of the carpenter or blacksmith. For human society is no mechanical structure to be torn apart and rebuilt; it is a natural organism to be weeded and cultivated. What "the single tax" method aims at, therefore—what this natural system of taxation would produce—is not the wrecking of capitalistic society and the building of something else upon its ruins. Its function is to promote right growth instead of wrong growth. Its method is free play for the natural laws of social development, through adaptation to society as we find it of the greatest and best of all the natural laws of social progress—the social service law of equal freedom.

The purpose of this natural taxation which is commonly known as "the single tax," would be effected in two correlative ways. One, socialization of the value of *natural* capital; and, two, individualization of the value of *artificial* capital; by taxing the capitalization of the former fully and exempting the latter altogether. Exempting altogether the *artificial* capital, including all the competitive processes of production and trade, we should re-

lieve social service of public burdens, obstructions, exactions, inequalities, and disturbances. Taxing fully the differential capitalized values of *natural* capital, we should at once supply the public income necessary for social needs, and relieve social service of private obstructions, exactions, inequalities and interferences. By action and reaction, those two correlative ways of natural taxation—full taxation of *natural* capital and complete exemption of *artificial* capital—would produce an approximately stable equilibrium of social service, with service for service as the basis of exchange.

In as few words as possible, Doctor, now that we are parting, let me summarize the effect of this natural taxation which has acquired the name of "the single tax." It would socialize what is social. It would individualize what is individual. It would correlate those two principles of human society into co-operative unity, while conserving their essential differences. It would thereby naturally evolve a social service world in which each would fairly serve and each be fairly served, all in the freedom of individual initiative and direction, yet with the power of social co-operation and solidarity.

Our friend Oliver R. Trowbridge puts the matter very clearly and forcibly as well as briefly in his little pamphlet on "Social Solidarity." Here is a copy. Put it into your vest pocket to read at your leisure. And don't fail to reflect upon a clause on page 17, which—let me turn to it—which is in these words:

> **Freedom for the individual and equality of opportunity for all. This is the law which harmonizes the problem of individual life, with the problems of social life; this is the law in which lies the solution of all political, civil, social and economic questions.**

And if you take your "Progress and Poverty" with you on your journey, Doctor, as I understand

you intend to, read again with thoughtful care the chapter on "The Law of Human Progress," the chapter, you know, in which Henry George wrote something like this: "Civilization is co-operation, and union and liberty are its factors."

The more you reflect upon the subject, the more certain you will be that Henry George was right when he wrote that aphorism. You will be sure of it if you read the whole chapter of "Progress and Poverty" in which that characterization of civilization occurs. And if you will permit me to read an extract from George's "Land Question" before we part, you will realize the importance of concentrating your attention upon this point. I shall not read at great length. Here we have it, beginning at the fourth paragraph of chapter xiv., entitled "The Civilization That Is Possible":

> I doubt not that whichever way a man may turn to inquire of Nature, he will come upon adjustments which will arouse not merely his wonder, but his gratitude. Yet what has most impressed me with the feeling that the laws of Nature are the laws of beneficent intelligence is what I see of the social possibilities involved in the law of rent. Rent—

One moment. It isn't necessary, is it, Doctor, for me to more than suggest that George doesn't mean house rent? His allusion is not to the value of *artificial* commodities, such as houses, or machinery, or anything of that kind. It is to the value of the *natural* commodity—land, the earth, the sites and sources of things artificial, the planet. He says as much in a footnote here:

> I, of course, use the word "rent" in its economic, not in its common sense, meaning by it what is commonly called ground-rent.

To proceed with the reading from George's text. Referring to his belief in the beneficence of the natural law of rent, he continues:

> Rent springs from natural causes. It arises as

society develops, from the differences in natural opportunities and the differences in the distribution of population. It increases with the division of labor, with the advance of the arts, with the progress of invention. And thus, by virtue of a law impressed upon the very nature of things, has the Creator provided that the natural advance of mankind shall be an advance toward equality, an advance toward co-operation, an advance toward a social state in which not even the weakest need be crowded to the wall, in which even for the unfortunate and the cripple there may be ample provision. For this revenue, which arises from the common property, which represents not the creation of value by the individual, but the creation by the community as a whole, which increases just as society develops, affords a common fund, which, properly used, tends constantly to equalize conditions, to open the largest opportunities for all, and utterly to banish want or the fear of want.

How can any thoughtful man fail to see that? But let me read on a little into the ethics of the matter:

The squalid poverty that festers in the heart of our civilization, the vice and crime and degradation and ravening greed that flow from it, are the results of a treatment of land that ignores the simple law of justice, a law so clear and plain that it is universally recognized by the veriest savages. What is by nature the common birthright of all, we have made the exclusive property of individuals; what is by natural law the common fund, from which common wants should be met, we give to a few that they may lord it over their fellows. And so some are gorged while some go hungry, and more is wasted than would suffice to keep all in luxury.

Destructive criticism? Certainly. How can you have the constructive before the destructive, in remedying social conditions. You can't construct gardens where weeds are, until you destroy the weeds. But George is constructive of good as well as destructive of evil. Hear him, as I read further from the same chapter:

Appropriate rent in the way I propose, and specu-

lative rent would be at once destroyed. The dogs in the manger who are now holding so much land they have no use for, in order to extract a high price from those who do want to use it, would be at once choked off, and land from which labor and capital—

This means artificial capital, of course. "Land from which labor and" *artificial* capital—

are now debarred under penalty of a heavy fine would be thrown open to improvement and use. The incentive to land monopoly would be gone. Population would spread where it is now too dense, and become denser where it is now too sparse.

Appropriate rent in this way, and not only would natural opportunities be thus opened to labor and capital—

Artificial capital again, Doctor. "Not only would natural opportunities be thus opened to labor and" *artificial* capital—

but all the taxes which now weigh upon production and rest upon the consumer could be abolished. The demand for labor would increase, wages would rise, every wheel of production would be set in motion.

Appropriate rent in this way, and the present expenses of government would be at once very much reduced—reduce directly by the saving in the present cumbrous and expensive schemes of taxation, reduced indirectly by the diminution in pauperism and in crime. This simplification in governmental machinery, this elevation of moral tone which would result, would make it possible for government to assume the running of railroads, telegraphs, and other businesses which, being in their nature monopolies, cannot, as experience is showing, be safely left in the hands of private individuals and corporations. In short, losing its character as a repressive agency, government could thus gradually pass into an administrative agency of the great co-operative association—society.

Note that, Doctor, and reflect upon it. If rent —ground rent, mind you; the differential values of mere location—if this fund were appropriated to common instead of private uses, *"government would lose its character as a repressive agency,"*

because the need for repression would die out; and could *"gradually pass into an administrative agency of the great co-operative association—society."*

When you see this clearly you will also see that natural taxation, "the single tax" as this method of social adjustment proposed by Henry George is called, is the simple and normal way in our civilization for realizing the natural and beneficent social climax which those words of George suggest.

Good night, Doctor. Good night, and good-bye.